

**SUCCESSION IN CHINESE FAMILY BUSINESS:
TRANSGENERATIONAL TRANSMISSION
OF SOCIAL CAPITAL IN MACAO**

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ABSTRACT

Studies in the field of family business have emphasized the importance of succession for the survival of the businesses, but while the succession process and planning have been widely studied, the examination of social capital succession is scarce. This book aims to add to the theoretical understanding of how social capital is transferred from generation to generation in Chinese business families. The importance of social capital as a source of a competitive advantage already exists in business families has often been expressed. However, there is a lack of research on transferring social capital from family business leaders to their successors. The study presented here addresses this gap in family business succession literature and social capital literature, explaining the means of the transgenerational succession of social capital in family businesses. This qualitative research used the multiple case study method to investigate the means of social capital transmission by comparing the cases of five different Chinese family businesses in Macau. This research offers a theoretical framework for explaining how social capital is transmitted from the incumbents to the successors through a five-stage process developed for this research. The forms of social capital that exist in family businesses are identified from previous literature, to explain how these different forms of social capital are passed on from generation to generation, based on the review of the succession process introduced in published literature. A theoretical framework is formed from the two parent theories on

family business succession and social capital and is then verified empirically from five Chinese family businesses in Macau. The cases are developed through in-depth interviews with the incumbents and successors of the family businesses, informal interviews with stakeholders (including family members, business associates, non-family employees and customers), direct observation of the premises of the Chinese family businesses and secondary data, in order to study the process of intergenerational transmission of social capital in these Chinese family businesses.

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I would also like to thank all the family business leaders from the five organisations studied in this book for the generosity of their time during the in-depth interviews and for sharing their family and business stories.

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CHAPTER 1 INTRODUCTION

Succession has been one of the most important research issues in the study of family businesses (FBs) and the main concern for FB practitioners (Bjornerg & Nicholson, 2012; Chua, Chrisman & Sharma, 2003; De Massis, Chua & Chrisman, 2008; Handler, 1994; Steier, 2001). Because for a business to survive as a family firm, in the long run, there must be successful transgenerational succession to keep the business a “family” business. However, among the numerous studies of succession research, only Steier (2001) and Huang (2008) have intensively investigated the succession of social capital. Social capital has mostly been studied in the field of FB as a source of competitive advantage and the uniqueness of family firms (for example, Arregle et al., 2007; Carr et al., 2011; Chang et al., 2009; Danes et al., 2009; De Massis et al., 2013; Pearson, Carr & Shaw, 2008; Salvato & Melin, 2008; Sharma, 2008; Sorenson et al., 2009 to name a few). Steier’s (2001) research that investigated the modes of social capital succession and the means that the next generation takes to manage the FBs’ social capital after the succession. Moreover, Huang’s (2008) conference presentation emphasised the importance of transferring social capital in FB’s succession. However, how this social capital is passed on from incumbents to successors is yet to be investigated.

Therefore, this study attempts to tackle this issue and fill the research gap on the means of the transgenerational succession of social capital. This is a vital issue, especially for Chinese

businesses, because of the importance of relationships and trust (Xinyong) in the Chinese business place (Lee and Tan, 2001; Redding, 1990; Tan and Fock, 2001; Yan and Sorenson, 2006). As social capital has to be developed over time, passing on this form of capital from generation to generation allows FBs to accumulate a high level of social capital that their non-family counterparts could not enjoy.

In Macau, approximately 99% of businesses are small-to-medium enterprises (SMEs), and a majority of these SMEs are FBs¹. However, traditional small FBs have been closing down or selling out, even if they are financially successful, mostly because they lack successors². So the successful succession of these enterprises is significant to the FBs' survival, but also to maintaining the “Macauness” that is unique in traditional businesses in the Special Administrative Region.

This chapter introduces this overall research for studying the succession of social capital in Chinese family businesses. First, the background and context of the research will be discussed, followed by the identification of the research purpose, then the contribution and the justification of this research. The methodology will be briefly covered as well as the outline of the

¹ According to the report “A Study on Franchising Business and its Interactive Development with Medium and Small Enterprises in Macau” published by the Macao Trade and Investment Promotion Institute (IPIM) in August 2008

² According to interview with Vincent Ip, successor of Vang Kei Hong, which has acquired local traditional businesses that lack successors. Case 2 in-depth interview for this research.

dissertation. This chapter ends with the acknowledgement of the limitation of this dissertation.

1.1 BACKGROUND TO THE RESEARCH

This research investigates the intergenerational transmission of social capital in the succession of Chinese family businesses (CFBs). It attempts to fill a research gap in the study of FB in transgenerational succession within business families. It also contributes to the study of social capital by pinpointing the forms of social capital in Chinese family businesses and exploring how social capital can be passed on from generation to generation.

The field of family business research began to develop in the 1970s and 1980s and is still emerging. With several of the works coming from the field of Finance and Economics, there is a lack of research on the noneconomic goals of FBs (Chrisman, Kellermanns, Chan, & Liano, 2010). The family business is an interesting field to study because of the inseparability of the family and the business. It has long been believed that “family dynamics can intrude in business relationships’ and ‘business pressures can overload and burn out family relationships” (Gersick, Davis, Hampton & Langsberg, 1997, p.3). While early research tends to focus on the negative effect of the family on the business, with 30 per cent of family firms unable to be passed on to the second generation (Ward, 1987), later research tends to focus on those that succeeded in transgenerational succession. These successful firms enjoyed competitive advantages and have

captured researchers' attention to investigate why family businesses out-perform and especially out-live their non-family counterparts (Miller & Le Breton-Miller, 2005; Le Breton-Miller & Miller, 2006; Brigham, Lampkin, Payne & Zachary, 2013). This research focuses on the latter, which enjoys successful transgenerational succession, as this research aims to explore the succession process.

In her overview of family business studies in 2004, Sharma identified that the key distinction of FB studies was “the reciprocal relationships between the family and business systems” (Sharma, 2004). Chinese family businesses (CFBs), having strong family values, and have been perceived as being hindered by their culture and family for business success. Zheng (2010) identified that although the interconnectedness of the Chinese cultural system may lead to the perception of the short lives and instability of CFBs, the negative effect was exaggerated.

As mentioned in Tan and Fock's research (2001; Fock 2005), over 50% of corporations in East Asia are family businesses. According to the authors, many of these are Chinese-owned, which may result from their “successful growth and their ability to undertake successful intergenerational transition” (Fock, 2005, p.247). Tan and Fock identified factors that contribute to the uniqueness of CFBs, naming familism, nepotism, authoritarianism, frugality, hard work, and xingyong (trustworthiness). More importantly, they argue that for CFBs to

go through smooth intergenerational transitions and expansion simultaneously, it depends on the later generations' ability to balance modern management practice with its unique Chinese characteristics. These factors correspond with Pearson and Carr's (2011) suggestion that social capital is already present in families, referred to as family social capital, which "consists of three basic elements: communication, identity and trust" (Sorenson, 2011, p.3). The family system of paternalism or the business system of mistrust of outsiders in Chinese family businesses, as identified by Zheng (2010), may, on some level, strengthen internal ties of family members and contribute to a stronger family identity with shared values.

In the last three decades, different streams in FB studies have emerged and among these, succession takes up around one-third of the literature in the field (Sharma, Chrisman & Chua, 2003). Thus, strengthening the claim that the dominant role of succession is "one of the most critical processes in the long-term survival of family firms" (Steier, Chua & Chrisman, 2009). Even if family members are succeeding the FBs, there are several failures caused by the weak leadership of the successors, especially their lack of "social skills of cooperation, shared decision-making, and unselfish collaboration" (Ward, 1997, p.324). Therefore, the ability of FB leaders to balance and maintain good relationships within the family and the business is crucial to the continuation of FBs.

The five CFBs chosen for this research are all traditional businesses in Macau representing major sectors according to the categorization of the structure of economic activities published by the Statistics and Census Service Bureau (Macao Industrial Structure Report, 2013). These five CFBs represent the Business Service, Food and Beverage, Wholesale, and Retail sectors and are known local brands to citizens and tourists alike. However, while these five traditional CFBs have managed to go through successful transgenerational succession, more and more FBs in Macau are closing down or selling out. According to the interviews with the CFB leaders for this research, the reasons traditional FBs sell out are rarely due to financial issues but rather the lack of a successor. An interview with a local entrepreneur from a financially successful business family expressed that FB is perceived as outdated. Therefore, he started his own business instead, and has assisted local young entrepreneurs with their start-ups. According to him, young start-ups fail nowadays because young entrepreneurs lack social networks; which, according to different interviewees, are crucial for business success in Macau and China. If so, passing on accumulated social capital gives FBs a significant competitive advantage. More importantly, the strong ties and FB identity, according to the successors being interviewed for the cases in this research, contributed significantly to their decision to come home from their studies abroad, or to give up their career plans, to join their FBs.

Although the importance of the role of social capital in FB succession has been raised (see Arregle et al., 2007), not many studies have covered this area. The intergenerational transmission of social capital is still understudied, except for a few. Steier (2001) identified four modes of transferring social capital: “unplanned, sudden succession; rushed succession; natural immersion; and planned succession and deliberate transfer of social capital” (p. 259), as well as the different means the next generation managed social capital after the succession. Although the modes of transferring social capital were identified in Steier’s grounded theory research, only the means of managing social capital by the next generation were offered, not the means of transferring social capital. In order to fill the research gap, this study sets out to answer a simple but neglected question: ***How is social capital in Chinese family businesses transferred from one generation to the next during the intergenerational succession of leadership?***

This research focuses on CFBs only because of the large number of Macau businesses owned or run by Chinese families. Moreover, Confucius's culture of filial piety and the importance of family caused most CFBs' succession to be planned, either with an intentional or unintentional transfer of social capital, from the young age of the successors. Thus, in answer to Steier’s (2001) call for further studies controlling for succession modes to better understand the dynamics of social capital in FB succession, this research attempts to discover the activities that underlie planned succession that transfers social capital. Moreover, although it has

been argued that the interconnectedness of Chinese families and the distrust of outsiders may lead to the instability of CFBs, the negative effect has been termed over-exaggerated (Zheng, 2010). Instead, successful CFBs have been proven to possess a uniqueness that includes “familism”. Familism is believed to enhance members' family identity and “xingyong (trustworthiness)”, which are important elements of family social capital, as trust and identity are considered major family social capital according to Sorenson (2011).

Moreover, aside from the importance of trust being emphasized in CFBs (Lee & Tan, 2001), members of CFBs are also known to share common cultures and directions. They also exercise cordial relationships leading to the high value of adaptability (Gatfield & Youseff, 2001) and other competitive advantages that non-Chinese firms cannot replicate. All these are credited to the Confucian values of filial submission, loyalty, duty, conscience, harmony, consensus, reciprocity, trust and sympathy (Yan and Sorenson, 2006). These values are all indicators of a high level of social capital, and these values are believed to have extended outside the family to include non-family members of CFBs (Lee, 1996; Whitley, 1991; Yan and Sorenson, 2006). Therefore, it renders Chinese family businesses a more interesting case to study in the area of social capital succession.

1.2 RESEARCH PURPOSE

The elements of CFBs identified by Tan and Fock (2001) and Zheng (2010) showed that CFBs have the potential to develop the basic elements of social capital. These elements are communication, identity and trust (Sorenson, 2011). FBs also create strong family social capital that contributes to the longevity of family firms as a result of smooth transgenerational succession and unique competitive advantages. In Chapter 2, the Literature Review, of this book, research on social capital and family business succession will be discussed. However, FB succession has mostly been about succeeding financial, intellectual or knowledge capital, and there is a lack of research on the passing on of social capital. Moreover, the literature review on family businesses also reveals the calling by researchers to include the ‘family’ in family business research (Habbershon et al., 2003; Sellweger, Eddleston, & Kellermanns, 2010; Stafford et al., 1999).

Therefore, this research attempts to combine the three elements: social capital in the family, social capital in the FB and business succession, to create a theoretical framework to understand better how social capital in Chinese family businesses is developed and passed on. This research sets out to answer the following question:

How is social capital in Chinese family businesses transferred from one generation to the next during the intergenerational succession of leadership?

This broad research question is further broken down into five detailed research questions. Each of these questions tackles the different issues to be combined to answer the main research question.

Firstly, as other types of capital have clear forms to identify, like financial capital is in the forms of money and assets; human capital is in the forms of knowledge and experiences, it is important first to identify the forms of social capital. Throughout the history of social capital theory, researchers have defined different forms of social capital. Therefore, the first and foremost question to answer for this is:

Research Question1: *What forms does social capital take in CFBs?*

This question is first to be answered via an extensive literature review to identify the different forms (sometimes referred to as elements, indicators, or features) of social capital to clarify the construct for the continuation of the research. The forms of social capital identified from the literature reviewed are then tested from interviews and observations to verify how they exist in CFBs.

Then, to examine how social capital is transmitted, literature indicated that social capital is already present in families due to strong family ties. There is a need to find out what contributes to this strong bond. Therefore, the second question to

be answered is:

Research Question 2: *What contributes to the strong bonds within the family?*

From the literature review, aside from identifying the different forms of social capital, the contributors to social capital are also examined. These form the theoretical framework for this research but only serve as the basis. This question is answered by analyzing the in-depth interviews with the incumbents and successors of the CFBs, and the informal interviews with family members in the five cases.

As this research studies not only the succession of family social capital but that of the CFBs, aside from the social capital within the families, it is also important to identify the contributors to the social capital within family firms. Thus, the third question to be answered relates to relationships among members of the family firms:

Research Question 3: *What causes non-family employees to bond with the FBs?*

Aside from the in-depth interviews with the CFB leaders, this question is better answered by direct observations in the CFBs. Dynamics between non-family employees and the CFB leaders are observed: before, after and during the interviews. If needed, formal direct observations are also conducted to

investigate the relationships within the premise of the CFBs.

Following the first three research questions is the question of; ‘how’, after finding out the contributors to CFBs' social capital, in order to address the issue of transgenerational succession, the incumbents’ ability to generate social capital needed for the success of the business needs to be found out. So, the fourth question relates to incumbents' social capital as follows:

Research Question 4: *How does the incumbent develop and maintain business and social connections?*

This question is to be answered by the incumbents through in-depth interviews. It will be verified by interviews with the successors and secondary data analysis, especially data that provides insight into the incumbents' social connections, such as previous interviews and news articles about the CFBs. Informal interviews with the CFBs industry connections evidence from customers, such as blogs, are also analysed to address this issue.

Finally, the question of social capital transmission, the final question addresses how the ability of the incumbents to develop social capital can be transferred to the successor:

Research Question 5: *How can the incumbent transfer the social skills needed to develop and maintain social capital to the successor?*

This question is to be answered by the successors and the incumbents themselves from the in-depth interviews. Other evidence from secondary data and informal interviews are used to verify the findings.

1.3 CONTRIBUTION TO KNOWLEDGE

From the answers to the five research questions, a theoretical framework of social capital succession in CFBs is developed that explains how social capital is transmitted from generation to generation in the succession of CFBs leadership.

There has been numerous research done in studying social capital in FBs, mostly in developing “familiness” or “the family point of view”, with others measuring social capital as a form of competitive advantages (Sorenson, Goodpaster, Hedberg & Yu, 2009; Danes, Stafford, Hynes & Amarapurkar, 2009; Carr, Cole, Ring & Blettner, 2011; Sorenson, 2011). However, there is a lack of research on how this important form of capital in family businesses is passed on from generation to generation. Thus, this research contributes to the study of social capital and family business succession by combining both significant factors for family business research. Moreover, it provides practical implications for CFBs in succession planning, for social capital in CFBs is more than just creating competitive advantages for businesses. The bonding of social capital also enhances the CFB identity of the next generation. It enhances the understanding of the value of the business, thus encouraging the younger

generation to carry on this family heirloom.

1.4 JUSTIFICATION OF THE RESEARCH

This research contributes to the overall field of family business studies, especially in the area of ‘succession’, by including the element of social capital in the transgenerational succession process. It also contributes to the development of the ‘family social capital theory’ (Sorenson et al., 2009) and the study of social capital succession (Steier, 2001) by carrying out empirical studies based on research by theorists in this area and proposing a theoretical framework for the successful succession of social capital.

Outside of the academic field, the result of this research helps family business leaders and family business advisors understand more about the relations between family members and non-family employees and, hence, considers the creation and transition of social capital when advising on succession planning.

Furthermore, this research conducted in Macao can give insight to local business leaders into the relationship between family and businesses. Hopefully, family business leaders can consider both their family and business in their plan, which can result in smooth transgenerational succession. Planning for social capital transmission to the next generation early on can secure support for the successors both from family members and non-family employees, as well as industry connections and other

stakeholders.

The multiple case studies used in this research provide triangulation of evidence collected, thus providing valid results in explaining a process involving relationships that quantitative research may not be able to provide. The next section introduces the methodology used to investigate this organizational phenomenon.

1.5 METHODOLOGY

In order to find out the dynamics within business families that nurture family social capital and how this capital is passed on from generation to generation, the qualitative research method is more suited for this purpose. Furthermore, as family and business histories, family members' relationships, succession planning and intention of research subjects are important for the study, a more intensive multiple case study method is chosen.

This empirical research is based on a multiple-case design method for comparison and generalisations. In order to follow the replication logic for a multiple-case study (Yin, 2009), a criterion was set for choosing the sample for the five cases. Data was collected through in-depth interviews with the current CFB leaders based on a semi-structured questionnaire, following existing similar research by Tan and Fock (2001), to provide structure and direction for the interview.

For case studies, multiple sources of evidence should be provided for triangulation purposes. Therefore, data are also collected from secondary sources to understand the social position of the CFBs better, as well as from direct observation and informal interviews with stakeholders to support evidence from the in-depth interviews. The five cases chosen have to be SMEs with the owning family holding the majority of the shares and the business being managed by at least two generations of family members. Moreover, of course, the availability and consent of the business leaders to partake in the research and in-depth interview are crucial considerations, as most people are reluctant to share information about their families and family relationships.

1.5.1 CHOOSING OF SAMPLE

This multiple case study research has chosen to study five different family businesses in Macao. The sample of the five CFBs was chosen because of their representation in different sectors according to the categorization of the structure of economic activities published by the Statistics and Census Service Bureau (Macao Industrial Structure Report, 2013), namely Business service, Food and Beverage, Wholesale, and Retail.

The five cases chosen have to meet the following criteria:

- (1) At least two family members must manage the CFB. That is with the successor at least currently in the early

succession stage (Stage IV) assuming management responsibilities, while the incumbent is at the retiring stage.

(2) Local (Macau) Chinese small-to-medium enterprises (SMEs) started in Macau, with the family holding most of the shares. Due to cultural issues affecting family dynamics, local Portuguese or Macanese (the term refers to people of Chinese-Portuguese mix) FB are not considered. FB or Chinese FB started abroad by families who immigrated to other countries or those with major foreign investments are also not considered for this research.

(3) The incumbents are the parents of the successors. This criterion was set because there are cases where the children refuse to join the FB, and the parents have to pass the businesses to relatives or hire non-family managers. At the same time, the families still own the company.

(4) The availability and willingness of current CFB leaders, at least the successor, to partake in the research and to consent to in-depth interviews that would inquire into their family lives and relationships with family members and non-family staff is crucial.

1.5.2 SEMI-STRUCTURED QUESTIONNAIRE DESIGN

The main data source, is from in-depth interviews with the incumbents and the successors of the CFBs. The questionnaire design is based on similar research by Tan and Fock (2001),

which consists of five cases of CFBs in Singapore. An appendix to the questionnaire was available from a book published later by Fock (2005). The existing questionnaire focuses on getting data for five main parts: (1) profile of the business and the founder, (2) management style of current generation leader, (3) family and organisational culture, (4) growth of the CFB and (5) succession issues (Fock, 2009, p.54-55). Parts (1), (3) and (5) are partially relevant to this research and were edited for this study. The questions in Part (2) were elaborated to explore the management style of incumbents and successors. More questions were added to find out about the succession process.

For this particular research, the semi-structured questionnaire was designed to gather data for the following five parts:

- (1) Profile of the business, founder, incumbents and successors
- (2) Management style and practices of incumbents and successors
- (3) Family culture and organisational culture, and
- (4) Succession issues

The adapted questionnaire is shown in Chapter 3, in the Methodology section of this book.

1.6 DEFINITIONS

As a new field of study, there has not been consensus on what is considered a family business. The definition varies from focusing on merely a business controlled and owned by members of the same family (Lansberg, Perrow & Rogolsky, 1988; Handler, 1989); to a business whose ownership is passed on between generations of family members (Ward, 1987); to having multiple generations of family members involved in the day-to-day operations of the business (Astrachan & Shanker, 2003). Lester & Cannella Jr. (2006) gave a more narrow definition that a business is not a family business until the company is passed on to the next generation. The more widely adopted definition is that of Chua, Chrisman and Sharma (1999), as a business that is “*governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families*” (p.25).

Following the development of family business research, this study defines family business as follows:

Family business (FB): a business that has been passed on, or is being passed on, from the founding owner to the succeeding generations within the family, and thus, the business has been managed by two or more generations of leaders from the same family.

Chinese family business (CFB): a business that has been passed on, or is being passed on, from a Chinese founding owner to the succeeding generations within the family, and thus, the business has been managed by two or more generations of leaders from the same Chinese family in a Chinese context (i.e. a Chinese city like Macau or Hong Kong).

Moreover, in order not to create confusion, this research refers to the CFB leaders as:

Incumbents: The retired or retiring business leader, in all five cases for this research, the fathers of the successors; and

Successors: The current or future CFB leaders taking over the family business at the time of the interview for this research. Each of the five cases for this research is a son of the incumbents.

1.7 DELIMITATIONS OF SCOPE

This research focuses on the succession of social capital in CFBs. Although the model for this research was generally built upon prior research published on social capital and family business succession, there has been a lack of research on the succession of social capital. Thus, there is a lack of constructs for formulating the research model. Also, the constructs formulated are based on a Chinese family context; further testing will be needed for the applicability to a different cultural background for generalization.

Moreover, due to the reluctance of people to share family matters and explain family relations, there is difficulty in selecting a more objective sample, and research subjects depend on the researcher's own network for friendly introductions. There is also a danger of subjective view from the in-depth interviews regarding family relationships. Therefore, triangulation of data evidence based on direct observations, informal interviews with stakeholders and documentation is collected to ensure the validity of the main data evidence from interviews.

The social capital theory has been widely used in the family business, especially in studying the 'familiness' (Habbershon & Williams, 1999; Habbershon et al., 2003; Pearson et al., 2008), which is considered a unique theory developed so far in the area of family business studies (Sharma, 2008). This research does not add to the discussion of building the theory of familiness (which is strongly based on the social capital theory in FBs). Similarly, this research does not aim to explore the competitive advantages due to the strong social capital possessed by the family firms. The main purpose of this research is to identify the contributors and forms of social capital in the CFBs being studied and focus on identifying the process of social capital transmission.

CHAPTER 2 LITERATURE REVIEW

This chapter reviews the literature leading to developing the theoretical framework of intergenerational transmission of social capital in Chinese FB succession. First, the literature on family business research will be introduced. Then, the literature on Chinese family business. After that, family business succession literature and social capital literature, the two parent theories of this research, will be reviewed. The forms of social capital and their roles in FBs are identified to develop the theoretical framework. Finally, the research published in sociology and family business studies on intergenerational transmission of social capital will be introduced. The above literature review leads to the theoretical framework for this study presented at the end of this chapter.

2.1 INTRODUCTION: FAMILY BUSINESS

Academic interest in family business studies began to develop only in the 1970s. It was only viewed as a separate academic discipline in the 1990s, even though FB has existed for thousands of years (Bird et al., 2002). In the 21st century, FB is still a dominant form of enterprise, estimated at between 65% and 80% worldwide (Leach, 2007). Interest in the field has stemmed from the recognition of the distinctiveness of FB. Because of the inseparability of the family and the business, where ‘family dynamics can intrude in business relationships, and ‘business pressures can overload and burn out family relationships’

(Gersick, Davis, Hampton, & Lansberg, 1997, p.3). This reciprocal relationship between the family and the business is the key distinction of FB (Sharma, 2004). Nevertheless, first, what exactly is family business?

2.1.1 DEFINING FAMILY BUSINESS

As an emerging field of social science studies, scholars have attempted to define FB, but there is still no universally accepted definition. Some earlier definitions described FB as a business controlled and owned by family members (Lansberg, Perrow, & Rogolsky, 1988). FB has also been defined as a business in which significant decisions and plans are influenced by family members (Handler, 1989); or a business that is to be passed on to the family's next generation (Ward, 1987). Although, from an operational level, a business can be loosely defined as FB when the family participates in and controls the business's strategic direction. Nevertheless, then it would imply that all sole proprietorships are FB. Therefore, the definition has to be narrowed down to the intention of the founder to keep the business within the family and, in the narrowest definition of having multiple generations of family members involved in the business's day-to-day operations (Astrachan & Chanker, 2003). Before the many definitions of FB were introduced, Ward (1987) had already defined FB as "one that will be passed on for the family's next generation to manage and control" (Ward, 1987, p.252). Chua, Chrisman, & Sharma (1999) also proposed a theoretical definition which defined a family business as one that

is “governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families” (p.25).

The definition of FB has fallen into two approaches; one focuses on the components of family involvement in the business. The components-of-involvement approach defines the FB in terms of the extent of the family’s involvement in management or ownership (see Davis, 1983; Davis & Tagiuri, 1989; Handler, 1989; Holland & Oliver, 1992; Welsch, 1993). The other approach proposed by Chrisman, Chua & Sharma (1999) is the essence approach, which focuses on the behaviour of pursuing the family vision across generations, contributing to the distinctiveness of FB (Chrisman, Chua & Sharma, 2005). Although there is still not one specific definition for FB, there seems to be a consensus as to the multi-generational feature of FB, whether as an intention to pass on the business to the next generation (Ward, 1987; Chua et al., 1999) or even to go as far as considering businesses only as FB after the company is passed on to the next generation (Lester & Cannella Jr., 2006). This latter consideration on FB explains why most FB research is about succession, for it is the multigenerational element of FB that distinguishes it from its non-family counterpart.

2.1.2 DISTINCTIVENESS OF FAMILY BUSINESSES

Aside from trying to define FB, research on how FBs distinguish from other businesses has evolved considerably. The inseparability of the family and the business have been considered as the source of lack of business financial capabilities due to family financial demands (Ward, 1987); conflicting goals as a result of competing needs and values between the three dimensions of FB: management, ownership and family (Beckhard & Dyer, Jr, 1983; Tagiuri & Davis, 1992); and causes of conflicts at different levels of the family and the firm (Harvey & Evans, 1994). However, the close connection between the family and the business is also credited as contributing to the high degree of commitment and dedication of business leaders, as well as from family and non-family employees, and their focus on continuity and long-term goals (Gersick et al., 1997; Cabrera-Suárez et al., 2001; Olson et al., 2003; Ward, 2004; Miller & Le Breton Miller, 2005; Le Breton-Miller & Miller, 2006; Miller et al., 2008). Due to family pride and tradition, FBs tend to have a high degree of commitment to achievement (Davis, 1983). They also tend to invest in long-term relationships with both internal and external stakeholders, which create valuable social capital (Carney, 2005; Salvato & Melin, 2008; Rothausen, 2009). These family relationships have also been credited as being able to increase motivation, trust and loyalty (Tagiuri & Davis, 1996).

Since FB research became an independent academic discipline, more research has been directed to studying the

distinctiveness and capabilities of FB, which has contributed to their long-term competitiveness and sustainability (Leach, 2007; Miller & Le Breton-Miller, 2005; Chrisman, Chua & Steier, 2003; Habbershon & Williams, 1999). Therefore, researchers in the field have contributed to our understanding of FB by addressing its distinctiveness based on the different theoretical explanations.

Based on the agency theory, although there are arguments that due to agency threats engendered by altruism, family firms incorporate higher agency costs because of parents' biased toward their children or the free riding of family members (Schulze et al., 2001). However, research also supports that the altruistic nature of families can contribute to FBs enjoying lower agency or transaction costs arising from conflicts of interest, especially between management and ownership (Jensen & Meckling, 1976; Pollak, 1985; Chrisman, Chua & Litz, 2004). Another unique characteristic of FB is their high level of stewardship that comes from the tight relationship between the family and the business, which is being nurtured for the future of the future generations of family members (Miller & Le Breton-Miller, 2005; Arregle et al., 2007; Gomez-Mejia et al., 2007; Miller et al., 2008), in fact, 'the continuity in a family company depends on instilling a sense of stewardship in every generation [...] as stewards, their responsibility is to pass on to their descendants a company that is even stronger and more admired than the one that was vouchsafed to them by their elders' (Lansberg, 1999, p. 9).

Another unique thing about FBs is that they do not just focus on developing economic value but on perpetuating a family legacy (Chrisman et al., 2003) that could survive through generations. In that sense, FBs should not be viewed as just businesses and thereby cannot be understood or explained with mainstream business theories. Instead, the family's involvement must be incorporated into understanding this unique kind of organization (Chrisman et al., 2003).

Applying the Research-Based View (RBV) to understand FB, Habbershon & Williams (1999 / 2003) introduced the concept of “familiness” to distinguish the unique resources present only in FBs, which is one of few constructs unique to FB research (Pearson, Carr & Shaw, 2008) and has been referred to as the essence of FBs (Criag & Moores, 2005). The concept of familiness is defined as ‘the unique bundle of resources a particular firm has because of the system's interaction between the family, its members, and the business’ (Habbershon & Williams, 1999, p.11), which could lead to competitive advantage and wealth creation. According to Sirmon & Hitt (2003), FBs possess five unique resources, and when managed accordingly, could enhance the competitiveness of the firms. These resources include tacit knowledge embedded within families that cannot be otherwise attained (human capital), accumulated networks and relationships built over time (social capital), and the willingness of family members to offer their financial, human or social capital for the survival of the business (survivability capital), long-term financial investment (patient capital), and low governance cost

(governance structure attribute). The familiness of a firm may also create non-economic advantages contributing to stronger family ties and transgenerational value creation (Chrisman et al., 2003).

According to Carney (2005), FB has been deemed to be able to generate competitive advantages due to their ‘parsimonious, personalistic, and particularistic tendencies’ (p. 256), which increase their tendency for value creation, and based on these characteristics, FBs can accumulate social capital through building both internal and external relationships. To further understand the concept of familiness, Pearson, Carr & Shaw (2008) adopted the social capital theory to identify the behaviour and social resources of FBs. According to them, FBs “provide a unique context for the creation of social capital” (p. 963) with the family’s “abundance of internal network ties that are appropriable to the family firm” (p.957), and they enjoy a unique understanding through shared values, languages and stories embedded within the family history. Thus, FB possesses strong trust, norms, obligations, and identity, which altogether enhance the familiness of the firm.

To sum up, altruism and stewardship are strong in FBs, which contribute to the long-term commitment and shared values and collective goals that allow the family to perpetuate the family legacy for future generations. Due to the ties that already exist in families, FBs enjoy solid internal relationships that are built on factors including trust, norms and obligations. These also enhance

external relationships of FBs developed through generations of social capital accumulation. In a Chinese society where relationships ‘Guanxi’ is a natural manifestation of Confucianism, the underlying philosophy that is the fabric of Chinese society making family ties robust (Guo & Miller, 2010, p.270), family ties are robust. So it could be said that Chinese Family Businesses (CFBs) enjoy higher social capital than their non-family counterparts. Literature on CFB is reviewed in the next session.

2.2 CHINESE FAMILY BUSINESS

The essence of Chinese firms has been identified as ‘familism’ – a term that refers to the nepotism, paternalism and family ownership of Chinese firms (Wong, 1985). Wong quoted an unpublished paper from the late 70s claiming that “all the spinning and weaving companies [in Hong Kong]” the major industry then, “might loosely be labelled ‘family firms’” (p.59). As recorded in Fock’s research (2009), over 50% of corporations in East Asia are family businesses, and many of them are Chinese-owned due to their “successful growth and their ability to undertake successful intergenerational transition” (p. 247). When analyzing the success of CFBs, Gatfield and Youseff (2001) identified some unique management practices in CFBs, including a lack of formal human resources practice, operations that are “run for the long-term prosperity and longevity of the family”(p.155), intrinsic employee motivation driven by the collectivist notion of success for the future, the significant role of

“faithful work and personal history” (p. 156) in employee performance appraisal, and their authoritarian control of the firm.

Aside from specific characteristics in management practice, CFBs possess further distinctiveness that makes them even more unique. Some distinctive features of CFBs summarized by Tan and Fock (2001) include familism, nepotism, authoritarianism, frugality and hard work, Xingyong (reliability and trustworthiness) and distrust of nonfamily members (Tan & Fock, 2001; Fock, 2005). Although these features seem to support what the authors termed the “restricted growth view” – the views of Redding (1990) and Fukuyama (1995), which stated that their cultural features restrict CFBs growth – Tan and Fock (2001) proved that it was not necessarily the case. In fact, CFB values play an essential role in the successful expansion and transgenerational succession of Chinese firms, according to their case study research of successful CFBs in Singapore.

Zheng (2010) raised a similar argument. For having strong family values, CFBs have been perceived as being hindered by their culture and family for business success. However, Zheng (2010) identified the interconnectedness of the Chinese cultural system of equal inheritance: it is the family system of paternalism and internal family conflict, and its business system of mistrust of outsiders and little delegation. Although it may lead to the perception of the short-lives and instability of CFBs, the author emphasized that the negative effect was over-exaggerated. In fact, for CFBs to go through smooth intergenerational transitions and

expansion simultaneously depends on the later generations' ability to balance modern management practice with its unique Chinese characteristics. The characteristics of CFBs identified by Tan and Fock (2001), Fock (2009) and Zheng (2010) correspond with Pearson and Carr's (2011) suggestion that social capital is already present in families, referred to as family social capital, which "consists of three basic elements: communication, identity and trust" (Sorenson, 2011, p.3). As a matter of fact, the family system of paternalism or the business system of mistrust of outsiders of CFBs, as identified by Zheng (2010), may, on some level, strengthen the internal ties of family members and contribute to a stronger family identity with collective goals, which are indicators of a high level of social capital.

The importance of trust in CFBs was further emphasized by Lee and Tan (2001) as "without trust, it is difficult to do business because all business on credit is carried out only among those who are familiar with each other" (p. 68, citing Lee, 1991). One typical shared value of trustworthiness is implicitly known to all members of CFBs (Lee & Tan, 2001). Moreover, they "share a common culture and direction, exercising cordial relationships and consideration for one another rather than acting competitively within the organisation" (Gatfield & Youseff, 2001, p. 153), therefore CFB owners enjoy the flexibility that stems from the low-structuring of activities such as a lack of job specialization and high valued for adaptability (Gatfield & Youseff, 2001), and have a lack of written policy and procedures (Lee and Tan, 2001). These have been credited to the Confucian values that permeate

Chinese management and organizational behaviour, including filial submission, loyalty, duty, conscience, harmony, consensus, reciprocity, trust and sympathy (Yan & Sorenson, 2006) and the values of loyalty and filial piety are strong within family firms which are extended outside the family to include non-family members of the CFBs (Lee, 1996; Whitley, 1991; Yan & Sorenson, 2006).

There could be a few reasons why CFBs especially flourish in terms of social capital. Firstly, in traditional CFBs, the business structure and values are identifiable with the families' structure and values (Wong, McReynolds & Wong, 1992). Thus, family social capital is quickly passed on to the business. Secondly, due to the value of filial piety and paternalistic structure in Chinese families (Yan & Sorenson, 2006), sons are more likely to participate in FB at an early age and establish closer bonds with their parents' employees. They also tend to follow in their parent's footsteps more, especially regarding values and goals. Even after gaining control of the business, successors are expected to consult the previous generation business leader, thus maintaining solid internal social capital.

Moreover, as a result of the unique feature of CFB succession, the equal rights of inheritance among heirs of the FB leaders (Zheng, 2010; Tsang, 2002) and the management succession of the elder brother (Yan & Sorenson, 2006), conflicts between siblings can be prevented on the one hand. On the other hand, non-family employees and other stakeholders are prepared

for the new leadership contributing to smoother successions. Furthermore, aside from internal solid bonding social capital, CFBs also have a high level of external social capital, as they have been known to invest in extensive social networking relationships primarily based on friendship and trust (Redding, 1990; Yan & Sorenson, 2006).

In order to study how the abundance of social capital in CFBs is transmitted from one generation to the next, the following part first reviews the literature on FB succession.

2.3 FAMILY BUSINESS SUCCESSION

In the last three decades, research has advanced in the different streams of family business (FB) research, including the definitions and distinctiveness of FB; management and strategies; succession; gender issues and non-family employees (Chrisman et al., 2010; Ibrahim, Angelidis & Parsa, 2008; Bird et al., 2002). With such diverse interest in the study of FB, research in the transgenerational succession of the family enterprises managed to take up around one-third of academic literature in the field (Sharma, Chrisman & Chua, 2003), and is considered by researchers the most crucial issue that business families have been facing (Handler, 1994; Steier, 2001; De Massis, Chua & Chrisman, 2008; Björnberg & Nicholson, 2012), and practically, the most significant concern of FB executives (Chua, Chrisman & Sharma, 2003), which explains the significance of research in this area.

Transgenerational succession is a critical issue to consider because it is one of the major components that makes a firm a FB, as implied in its generally accepted definition as being a business that is to or intended to be passed on to the next generation (Astrachan & Chanker, 2003; Chua, Chrisman & Sharma, 1999; Lester & Cannella Jr., 2006; Ward, 1987). For a FB to be able to sustain over a long time, aside from sustainable advantages that allow it to survive in the market, the success of the transgenerational succession of FB is the dominant issue and is considered one of the most critical and challenging processes (Barach & Ganitsky, 1995; Björnberg & Nicholson, 2012; Blumentritt et al., 2013; Steier, Chua & Chrisman, 2009). Passing on the business within the family is significant to attaining competitive advantages for the business in the long run. One reason is that, especially for FBs that are highly idiosyncratic, appointing a non-family manager could increase agency costs as the manager gains bargaining power with the increased personal knowledge of the FB. Since FBs are usually highly idiosyncratic, even if the ability of a family successor may not be up to standard, the family may still prefer appointing a family member as successor (Lee, Lim & Lim, 2003). In this case, the impact of the successors training within a well-planned succession process is even more critical to the survival of the FBs.

According to Langsberg (1999), succession is not an event but an ongoing process that is led by the family's Shared Dream, which is the "collective vision of the future that inspires family members to engage in the hard work of planning and to do

whatever is necessary to maintain their collaboration and achieve their goals. [...] it is highly personal and must grow from within [...] emerges from the family's fundamental values and aspirations, it defines who they are, who they want to be, which kind of enterprise they wish to build, and how they wish to be perceived by the world" (p.75). To achieve this shared dream, the family has to be engaged in continued, open-ended discussion (Langsbery, 1999). And for succession to be effective, this long-term process demands proper planning (Ibrahim et al., 2001). Unwillingness to invest in time and planning to begin this process earlier has been the cause of FBs failure in passing on to a next-generation leader because succession is a demanding process that involves not just the incumbent and the successor. The acceptance of the successor, which contributes directly to his/her future success, involves other members of the family and firm and also external contacts of the FBs as well (Barach & Ganitsky, 1995).

Moreover, succession decisions are affected by different factors, including the organisation climate, business environment, firm's development stage, family influence and owner-manager motivation (McGivern, 1989). Thus, for succession to be successful, business families need to consider the many people involved in the process, including those within the family, within the business and connected to the business. As stated by Le Breton-Miller, Miller & Steier (2004) in their exhaustive review of literature on succession, successful succession is defined as "the subsequent positive performance of the firm and ultimate

viability of the business” as well as “the satisfaction of stakeholders with the succession process” (p.306).

Early research in the field showed that 30 per cent of FBs have been unable to last more than two generations (Ward, 1987; Handler, 1994). Failure in the transgenerational succession of FB is the major problem (Le-Breton Miller, Miller & Steier, 2004), and this can be due to the family leader’s lack of a clear plan for the future (Ward, 1997; Langsberg, 1999), the lack of intention, effort or willingness of the incumbent to pass on the business or for the next generation to take over the FB (De Masis, Chua & Chrisman, 2008; Sharma, Chrisman & Chua, 2003; Lansberg, 1988), lack of trust and communication within the FB (De Masis, Chua & Chrisman, 2008), the arduous relationship between predecessors and successors (Cabrera-Suarez et al., 2001), and weak next-generation business leadership as children of successful and hard-working entrepreneurs do not learn “vital social skills of cooperation, shared decision-making, and unselfish collaboration” (Ward, 1997, 324).

Hence, preparing the next generation for leadership also includes building a strategy around relationships (Ward, 1997). Especially critical is the relationship between the successor and the incumbent (Brockhaus, 2004; Cabrera-Suárez et al., 2001; Chrisman et al., 1998; Handler, 1992; Ibrahim et al., 2001; Langsberg, 1988; Ward, 1987). Trusting relationships with family members and relatives (Lansberg & Astrachan, 1994; Brockhaus, 2004; Le-Breton Miller, Miller & Steier, 2004) and the

successors' good working relationships with key nonfamily managers (Chua, Chrisma & Sharma, 2003) are also crucial to successful succession. More importantly, the succession process should begin early and involve children in the family at a young age; so they understand the value, tradition and competence of the FB (Langsberg, 1999; Barach & Ganitsky, 1995) and acquire tacit knowledge vital to the bundle of family resources that can contribute to sustainable competitive advantages (Cabrera-Suárez et al., 2001).

To sum up, the studies of successful succession, success mainly involve variables that include the incumbent, the successor (the relationship between incumbent and successor), family relationships (including family harmony and dynamics), the succession process and shared vision, and the board of directors (Le-Breton Miller, Miller & Steier, 2004). Among these variables, the study of the board of directors in succession research relates to corporations, and since this research focuses on SMEs, it is not relevant. Therefore, the following parts review vital variables for successful succession, including the incumbent, the successor, the succession process, and family relationships.

2.3.1 THE INCUMBENT

For succession to happen in FBs, the first and foremost issue is the incumbents' intention to pass on the business to the next generation, their refusal to let go of their leadership and control, and their reluctance to plan for succession is one of the

main problems for the succession process to happen (Goldberg & Wooldridge, 1993; Ibrahim et al., 2001; Sharma et al., 2001), as “an incumbent who plans for succession because of feasibility rather than the desirability of succession is more likely to delay, abort, or sabotage its final implementation” (Sharma et al., 2003, p. 11, citing from Sonnenfeld & Spence, 1989). Especially in the paternalistic culture of Chinese families, where the head of the family is the sole decision maker both in the family and in the business, the obedience of their children as a result of the most significant Chinese value of filial piety caused their position to be seldom challenged (Jordon, 1998). Therefore, the mature relationship between an incumbent and their successor that is based on mutual respect and understanding is vital to the possible succession to take place (Le Breton Miller et al., 2004; Barach & Ganitsky, 1995). Adding to that, is the shared vision of the future for the FB, the ‘collective dream’ (Lansberg, 1999) that belongs not only to the incumbent but the family, that the business leaders can put before their personal needs for control.

For management to be passed on to the next generation, it is more than just taking the leadership position, but it also includes the role of the incumbent that is beyond the title of CEO, Managing Director or President. The incumbents, especially the founders, hold the central position in the FBs, namely their betweenness to the flow of information, closeness with top managers, connectivity and influence on all members of the FB (Kelly, Athanassiou, & Crittenden, 2000), which are indicators of social capital, and these things need to be smoothly transferred

to the next generation for the successors to be able to run the FB successfully in the long-run. No matter whether family or non-family employees are believed to have a clear role in the system, as long as the owner of the FB held his place and role that stabilized the system, they all have a clear idea of their relationship with the leader and with other parts of the system (Beckhard & Dyer, Jr., 1983). So when the incumbent leaves the business, there could be uncertainty among members of the FB that could cause chaos and demotivation if the relationship between the successor and family members and the business is not stable. All the more for the reason to ensure the successful transfer of social capital in the succession process.

Research also shows the importance of the incumbent characteristics for successful succession to take place. According to Handler (1990) and Cabrera-Suárez et al. (2001), and acknowledged by Le-Breton Miller et al. (2004), their ability to delegate and empower successors to make decisions and their willingness to trust and share are all significant factors in successful succession. According to Barach & Ganitsky (1995), the commitment of the incumbent to pass on the business and share the joy and pain of work and life is critical to let the next generation appreciate the FB's actual value. This is a long-term process that cannot happen overnight or can it be incidental. It requires a lifetime of relationship building between the incumbent and the successor contributed to by a tight family bond (internal family social capital) that is enhanced through the family traditions of sharing and communication strengthening

Aside from bonding social capital within the family that can be translated into the organizational social capital, as CFBs tend to replicate the structure and value of the family (Wong, McReynolds & Wong, 1992). For the FB to be successful, the incumbents need also to pass on their external ties and relationships to the successors through the process of transgenerational transmission of social capital (Weiss, 2008; 2012). According to Weiss, parents pass on social skills and norms to their children at an early age. Therefore, for FBs, especially CFBs, where relationships and relationship networks are vital to business success, FB leaders should consciously include the transmission of social capital to the next generation in the succession process.

2.3.2 THE SUCCESSOR

The characteristic of the successor is also critical in the smooth transition of the business, especially with regards to the next generation's ability to run the business (Langsberg, 1988). Although the type of successor needed, may depend on the role of the FB with regards to the family, whether the FB is viewed as a source of employment for the next generation or as financial gain (Brockhaus, 2004, citing Drozdow, 1990), although specific attributes are strongly identified as being necessary for next generation leader.

These different attributes include integrity and commitment to the business. The commitment of the successors is

critical to the successful transgenerational transfer of FB (Chrisman, Chua & Sharma, 1998; Handler, 1989; Sharma & Irving, 2005), and initial commitment is not enough; it is the definite commitment that is crucial (Barack & Ganitsky, 1995). According to Björnberg & Nicholson (2012), the relationship between next-generation family members (successors) and the FB system in terms of attachment and social identity, contributes to the commitment of these successors to the FB, through a strong emotional bond which is formed by solid identification with the FB from an early age.

With definite commitment, for the survival of the FB, successors also need to possess the ability to gain respect and make decisions, experience, interpersonal skills, intelligence, and self-confidence (Chrisman et al., 1998; Sharma, 2004). Overall skills and general ability are also essential for the successor (Lansberg, 1988), especially the management capability to meet the goals of all members and his credibility and legitimacy that matches the top executives' qualifications (Le Breton-Miller et al., 2004), as well as their management of social capital (Steier, 2001). Moreover, according to Goldberg & Wooldridge (1993), successful successors' characteristics include: self-confidence and managerial autonomy, which allow them to seize leadership control, especially if the incumbent reaches retirement but is reluctant to let go.

Although some researchers have emphasized the importance of gaining experiences outside the family firm, there

has also been an emphasis on early entry into the family businesses. According to Goldberg (1996), effective successors are introduced to the FB early on and also enter the FB at a young age. In fact, his research on 63 effective successors showed that most of these successors joined the family business full time at an average age of 23 and possessed college degrees, which suggested that they most probably entered the FBs right after college. Early introduction to or entry into the FB could also contribute to the successors' better understanding of the FB's value and create better relationships with the firm employees (Barach & Ganitsky, 1995; Cabrera-Suárez et al., 2001).

Therefore, what is more important than skills and personal attributes are relationships with and trust of the members of the FB (Lansberg & Astrachan, 1994; Brockhaus, 2004), as well as a strong internal bond and identity with the FB. Even if family members are succeeding the FBs, as quoted earlier, there are numbers of failures caused by weak leadership of the successors, especially their lack of social skills in collaborating with members of the FB (Ward, 1997). These weaknesses however, can be overcome with a successful training process that is enhanced by good intergenerational relationships between the incumbent and the successors, and is characterized by trust, mutual support, and open communication (Seymour, 1993). Therefore, in the process of succession, the transmission of trust, communication and identity, which are elements of social capital (Sorenson, 2011), that are transferred to the next generation of business leaders is of the utmost importance.

2.3.3 THE SUCCESSION PROCESS

It is widely agreed that succession is a complex, long-term process that has to be well managed (Barrack & Ganitsky, 1995; Blumentritt et al., 2012; Brockhaus, 2004; Dyer, 1986; Handler, 1990, 1994; Lansberg, 1998; Le Breton Miller et al., 2004; Sharma et al., 2001; Ward, 1987). An effective succession process has been attributed to selecting and grooming (Ward, 1987), training and providing career opportunities and fulfilment of the next generation (Handler, 1989), during which the input from different family and FB members should be considered, so they will feel being part of the process, and thus enhance the smooth transition for the successor (Sharma, Chrisman & Chua, 2003). Over the years, scholars have provided different perspectives on understanding the succession process.

McGivern (1989) identified three stages in a succession cycle, which started with the decision of continuity as the business leader and sees the need for a replacement soon, followed by the appointment and training of a successor, and finally, the successor takes over the business. These three stages provide the general perspective of the succession process. However, the process involves more steps within these three stages, both before and after the appointment of a successor.

Aside from explaining the successful process in terms of stages, Dyck, Mauws, Starke, & Mischke (2002) explained the process in terms of content as like a 4x100 relay race, with four

major factors, including sequence, which they referred to as the skills required in the successor depending on the life-stage of the business; timing, the timing in the “acceleration zone” of a relay race where the incoming runner slows down, and the outgoing runner starts running is compared to the successor getting in place in a timely fashion whereas the incumbent passed on the leadership; baton-passing technique refers to how the business should be passed on, “what is being given by the incumbent and what is being accepted by the successor” (p. 148); and finally communication/teamwork referring to the trust and clarity of communication between incumbent and successor.

According to Handler (1990), the succession process is a mutual role adjustment between the incumbent and the successor where, in the process, the incumbent step by step relieves his control and the successor slowly takes over. Cadieux et al. (2002) summarized the succession models into four phases: (1) The initiation phase - where the successor learns about the business; (2) The integration phase – when the successor works in the business as a part-time or summer job; (3) The joint management phase – when the successor joins the business full-time as the successor; and (4) The retirement phase – when the incumbent retires, and the successor assumes complete control and leadership of the FB. However, between the integration and the joint-management phase proposed by Handler, there should be a phase where the successor works as full-time staff of the family firm but is not yet a manager.

Longenecker and Schoen (1978 - quoted by Handler, 1994) broke down the succession process further into seven stages “(1) the prebusiness stage, where the successor may be only passively aware of some facets of the organization; (2) the introductory stage, where family members may expose the successor to jargon and organization members although he or she has not worked even on a part-time basis in the business; (3) the introductory-functional stage, where the successor works as a part-time employee; (4) the functional stage, where the successor enters the organization as a full-time member; (5) the advanced functional stage, where the successor assumes managerial responsibilities; (6) the early succession stage, where the successor assumes the presidency; and (7) the mature succession, where the successor becomes the “de facto leader” of the organization” (Handler, 1994, p.135). According to Goldberg & Wooldridge (1993), it is at the 6th and 7th stage that successors ought to be able to demonstrate confidence and autonomy to assume leadership without the control of the previous generation leaders fully.

Building from the above literature, this research proposed to use the following stages of the succession process as the frame to analyse how social capital is passed on from generation to generation in CFBs:

Table 1: Five-stage succession process

I. Pre-business stage	Successor learns about the FB
II. Introductory stage	Successor involves part-time
III. Entry-stage	Successor enters as a full member
IV. Early succession stage	Successor assumes management responsibilities
V. Final succession stage	Incumbents retire, and successors have complete control

(adapted from Longenecker & Schoen, 1978)

2.3.4 FAMILY RELATIONSHIPS

A good relationship between the incumbent and the successor in successful succession has been emphasized. However, the relationship between these two main actors in the succession process is insufficient. According to Long & Chrisman (2014), the individual attributes of the incumbents and successors are “to a significant extent the product of their social interactions and their particular positions in the family and business context” (p.250). In fact, not only is the successor’s relationship with other family members and relatives a vital contributor to smooth business transition as family members develop trust in the ability and credibility of the successor (Brockhaus, 2004; Chrisman et al., 1998; Lansberg & Astrachan, 1994; Le-Breton Miller et al., 2004), but also the level of harmony in interpersonal relationships in the family also directly influence the relationship between incumbent and successor (Venter, Boshoff & Maas, 2005). Moreover, family relationship in terms of family adaptability and family cohesion on succession is determined by the relationship

between the incumbent and the successor and the family commitment to the FB (Lansberg & Astrachan, 1994). Therefore, depending on the family relationship quality, it can hinder or facilitate FB succession (Lansberg & Astrachan, 1994).

According to Langsberg (1999), successful FBs are built on ‘shared dreams’ where families share the business's vision and value. Because of this, the family members tend to stick together in times of difficulty and focus more on the long-term survival of the FB. Thus, providing more support in the succession process and to the successor. However, family influence in the business succession may create conflict among members and generational envy instead of being beneficial to the successor (Davis & Harveston, 1998). According to De Massis, Chua & Chrisman (2008), conflicts or rivalry among family members and the lack of trust in and commitment to the successor are also critical factors that prevent succession from happening. Therefore, as suggested by Davis & Harveston, it may be necessary ‘to root prescriptions in the actual relationship between family members’ (p.49).

Moreover, the succession process could be personal and emotional to family members, and it could affect the long-term relationship between the future business leader, other family members, and even members of the FB (Blumentritt et al., 2013). Although, according to Yan and Sorenson (2006), due to the Confucian value of filial piety, harmony, trust, and compliance with the senior family member, as well as the equal inheritance of siblings (Zheng, 2010), CFBs can enjoy a smoother succession

process compared to non-Chinese FBs. Even so, the ability of the next generation leaders to continue to exert these family values within the FBs is still critical to guarantee the long-term success of the family firm. It is because, although Chinese Confucius's value generates harmony in the succession process, there still could be a hindrance to the firm's long-term success. For instance, the oldest sons to take over leadership may not be the most competent, and the equal inheritance system may cause the economic capital of the FBs to become diluted (Yan and Sorenson, 2006). Therefore, while training the successors in terms of skills and knowledge to take over the FBs, the transferring of family social capital in the forms of mutual trust, collective goals, and shared value must be taken into consideration, so much so that the successors continue to gain the support that the previous leaders enjoyed from the family members and non-family employees. Family identity (another important form of social capital) must also be passed on through open communication and family rituals (Bruess, 2011).

Aside from relationships within the family, the successors' relationships with non-family employees are also significant to their successful succession of the FBs. In fact, the complex process of succession involves not only the family but other actors within and outside of the family (Barach and Ganitsky, 1995; Yan & Sorenson, 2006). The importance of good relations with key managers must be emphasised because it enhances the successors' confidence in running the company and prevents potential conflicts that include envy, fear or dislike, while contributing to

team spirit with the FB (Barach and Ganitsky, 1995). Conflict with family members and key employees could cause succession to be complicated, at the least, if business owners do not share a common vision with all key stakeholders (Bruce and Picard, 2006). And worse, intra-family succession could be prevented from happening if non-family managers lack the trust in and commitment to the successors (De Massis et al., 2008).

While the strong Confucius values in FBs promote trust, loyalty and harmony not only in the family, but are also extended to the FBs (Yan and Sorenson, 2006), piety may cause key non-family managers to maintain their loyalty toward the incumbents even after the next generation leaders have taken over control. Therefore, it is even more critical for the incumbents in CFBs to invest in transmitting social capital that includes relationships, identity and trust to the next generation in the succession process by setting an example of showing trust in the next generation's successors' decisions and capabilities.

2.3.5 CONCLUSION

Although, when considering the sustainability of any business, one must consider their economic capital, what makes a family business different is not just financial but non-economic factors. The succession of economic capital is direct and can be controlled by the founder as to how and to whom to pass the capital. The difference with non-family businesses is not that much, as long as a successor has been identified. For non-family

businesses, human capital can be acquired easily by choosing a suitable successor. Therefore, I argue that what gives the family business its competitive advantage is the social capital that the family already possesses (Sorenson, 2011), and this can hardly be imitated by non-family firms, and includes successfully passing on social capital from one generation to the next, which is significant to the long term survival of a family business.

Especially in the case of CFBs, with strong family values and emphasis on relationship, trust and harmony, as they possess strong social capital that contributes to competitive advantages of the family firms and, more importantly, to a smooth transgenerational succession with minimum resistance from the family members and other stakeholders (Yan and Sorenson, 2006). In this case, their long-term success lies in replicating and developing capabilities from their social capital from generation to generation. Hence, the importance of studying the means of social capital succession in CFBs.

The next session reviews literature from social capital theory and the studies that have been done on the intergenerational transmission of social capital.

2.4 SOCIAL CAPITAL

The importance of relationship building among family members, non-family employees and other stakeholders for successful succession in FB has been emphasized. “The character

of social relationships within the organization realized through members' levels of collective goal orientation and shared trust" (Leana and Van Buren, 1999, p.540) is referred to as social capital. As one of the five unique resources identified by Sirmon and Hitt (2003), including human capital, survivability capital, patient capital, and governance structure, and social capital which is considered a highly important resource because of its potential to enhance and complement the lack of other resources, and also its ability to create human capital (Coleman, 1988) and intellectual capital (Nahapiet and Ghoshal, 1998) through nurturing the next generation in a family with tied bonds and a good relationship. Thus, more research has been done to build theories that enhance our understanding of FBs using the social capital perspective (including: Arregle et al., 2007; Carr et al., 2011; and Pearson et al., 2008).

The social capital theory has been widely applied in sociology, psychology, politics and organisations studies. Though, the definition of social capital is still blurry, it is agreed by most scholars contributing to building the social capital theory that it is a form of capital in which investment (in social relations) will generate a return on investment (Bourdieu, 1986; Burt, 1992; Coleman, 1990; Lin, 1999; Putnam 2000). And thus, to capitalise on social capital, FBs need to invest time and effort to maintain and pass on social capital from generation to generation to accumulate and create competitive advantages in the long term. According to Bourdieu (1986):

The existence of a network of connections is not a natural given, or even a social given, constituted once and for all by an initial act of institution, represented, in the case of the family group, by the genealogical definition of kinship relations, which is the characteristic of a social formation. It is the product of an endless effort at institution, of which institution rites [...] mark the essential moments and which is necessary in order to produce and reproduce lasting, useful relationships that can secure material or symbolic profits (p.52).

Therefore, as social capital cannot be generated once and for all, there are means for a family firm's social capital to be passed on in the succession process from parents to children, whether intentionally or unconsciously. At least one thing agreed upon is that FBs benefit from social capital because it is already present in families. Over time, the business families have developed stronger ties and broader networks (Sorenson, 2011). This social capital within the family is considered by Pearson et al. (2008) as being socially complex, which is "related to norms, values, cooperation, vision, purpose, and trust that exist in the family firm" (p.955).

However, to take advantage of already existing social capital in families, it has to be successfully passed on from generation to generation. Whether intentionally or not, parents' social capital is passed on to children from an early age and "parental social capital and the social capital of adolescents are

connected through a mechanism of intergenerational transmission” (Weiss, 2012, pp.212). And this research aims to identify the means of transferring and extending social capital in business families, which is significant in creating competitive advantages for the FBs.

2.4.1 DEVELOPMENT OF THE SOCIAL CAPITAL THEORY

Social capital was first used by Lyda J. Hanifan (1920), who only referred to the term ‘capital’ figuratively, defining it as “*goodwill, fellowship, sympathy, and social intercourse among the individuals and families who make up a social unit*” (p. 78), which was to be accumulated through community entertainment. When a bond is formed within the group, their “*social capital may easily be directed towards the general improvement of the community well-being*” (p.79). However, the concept of social capital was not developed for over half a century until the 80s, when Pierre Bourdieu (1986) used the concept of social capital “*to sketch a general theory of social reproduction [where] the symbolic qualities of cultural and social capital can be converted into the more material qualities of economic capital*” (Castiglione et al., 2007, p.3). This rendered social capital a rather new concept fewer than thirty years old, though it is almost a century old if we consider the term's first mentioning. According to Bourdieu, social capital is a collective asset belonging to the dominant class, making it a privileged good.

In Bourdieu’s *The Forms of Capital* (1986), social capital

was introduced as resources within durable networks and institutionalized relationships, or memberships of a group, built through sociability and a series of exchanges. Through these relationships, members may be endowed with different forms of capital, including social, cultural and economic capital. According to Bourdieu, social capital belongs to the dominant class of the society, inner circles such as influential families or membership clubs, to which only members with capital to exchange for, have access. Moreover, membership in these networks requires investment in relationships to gain access to the utility of the resources within the group. Like Bourdieu, Coleman (1988) also defined social capital as a collective asset. However, according to Coleman and later Putnam (1995), social capital is a public good that anyone within the social structure (neighbourhood, community, even nation) has access. For Coleman, “social capital is defined by its functions [...], not a single entity, but a variety of different entities having two characteristics: They all consist of some aspect of a social structure, and they facilitate certain actions of individuals who are within the structure” (1990, p.302), and rather than something being owned by an individual, Coleman’s social capital is considered as a form of resources that is available for usage by members within the structure. As social capital is in the forms of trust, norms and shared values, it cannot be given from one individual to another. But rather, one has to invest in the membership of the social structure to utilize its social capital. Moreover, according to Coleman, and later agreed by Putnam (1995) close and dense network (closure) facilitates and maintains

collective social capital, in which sense, family, a naturally close and dense network with born membership is the foundation of creating social capital (Putnam, 2000).

Putnam extended the concept of social capital to the political science area by building on Coleman's concept of a close and dense network as the architect of maintaining social capital, which is in the forms of trust, norms and shared values. In studying national civic engagement, Putnam, one of the most influential authors of social capital, refers to it as "*features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit*" (1995, p.67). In discussing the decline in social capital, which led to a lower civic engagement in America at the end of the last century, Putnam emphasized the importance of social networks and social connectedness and related one of the reasons for the nation's "*social decapitalization*" - declining of social capital - to the "*loosening of bonds within the family*" (p. 73), which he considered as the fundamental form of social capital.

Without a doubt, social capital exists in all families. However, although family members are born into the structure and membership is naturally given, members still have to invest in building the network and relationships (Bourdieu, 1986). So, combining the concept of social capital of these early scholars who coined the term, family members although they gained membership through inheriting the family name, thus saving time on investments that result in membership of the social structure

(i.e. the family in this sense). In order to utilize social capital of the family to create competitive advantages for the family business, members still need to establish trust, norms and shared values through engagement and connectedness within the social structure, in this case, within the family business and the industry.

In 1998, amongst the height of the application of the concept of social capital exported from sociology to different disciplines, especially with Putnam's influence, to political science, Alejandro Portes analysed that the popularity of the concept was due to its focus on the positive consequences of sociability and that "*it places those positive consequences in the framework of a broader discussion of capital and calls attention to how such nonmonetary forms can be important sources of power and influence*" (p.2). From his review of previous literature, Portes (1998) distinguished the three basic functions of social capital the source for "*social control*", "*family support*", and "*benefits through extrafamilial networks*" (p. 9).

Although social capital has been closely related to a positive impact on the social structure (e.g. family and church groups), community or even a nation, Portes identified some negative consequences of social capital. With a close or dense network, or strong ties, the benefits of shared values or access to resources within the group may create exclusion to outsiders from accessing the same resources, and generating problems like a monopoly in certain aspects, for instance, the Jewish diamond merchants in New York (Portes, 1998 citing Coleman, 1990).

Internally, these strong ties may cause excessive claims on group members when family members, relatives, or other members within the social structure request excessive favours. These free-riders within the group may become burdensome and prevent the success of others within the group. Moreover, these strong ties within the network, although they may benefit the members; such as, with strong enforcement of local norms, for example, parents can allow children to run around on the street knowing that neighbours would keep an eye on them, "*the privacy and autonomy of individuals were reduced accordingly*" and these strong ties may become constraints when individuals feel like being observed all the time. Finally, "*if groups maintain solidarity by constraining members*" from moving up in society, it hinders the success of individuals (Portes, 1998, p. 15 - 17).

Therefore, Portes reminded us of the need to consider the different circumstances when applying social capital. In order to utilize the positive side of social capital, FBs need to balance external ties to prevent falling into the trap of 'us' only and creating hindrance to exploiting opportunities and jeopardizing relationships with external stakeholders, including non-family employees.

The external relationship and networking side of social capital were emphasized by Nan Lin (1999), who summarized the premise of social capital by previous scholars and provided a general definition of the term as "*investment in social relations with expected returns*" (p. 30). In reviewing previous literature

and controversy in social capital, Lin concluded that social capital is both a collective good and an individual good rooted in *“individual interactions and networking”* (p.33) and further proposed a network theory of social capital *“based on the fundamental understanding that social capital is captured from embedded resources in social networks”* (p. 28). According to Lin, social capital is measured as assets captured in social networks by measuring an individual’s embedded resources and network locations. In other words, according to the author, an individual’s social capital is his *“accessibilities to resources through social networks and relations”*, and investing in these social networks can enhance the individual’s outcomes of actions’ through: *“facilitating the flow of information”*; *“exerting influence on agents”*; *“reflecting social credentials”*; and reinforcing *“social identity and recognition”* (p.31). To operationalize the critical elements of social capital, he further defined social capital as *“investment in social relations by individuals through which they gain access to embedded resources to enhance expected returns of instrumental or expressive actions”* (p. 39), from which he created a model based on measuring three process (1) investment in social capital, (2) access to and mobilization of social capital, and (3) returns of social capital (Lin, 1999 / 2008).

From a similar perspective to Lin’s network theory of social capital, Burt (1997) introduced a network structure of social capital, bringing the concept of social capital to an organisation and management perspective, studying networks of

managers as firms were shifting from hierarchy to network organization at the end of last century. Based on his structural hole theory, Burt describes how social capital is a function of brokerage opportunities in a network and defines social capital in terms of “the information and control advantages of being the broker in relations between people otherwise disconnected in social structure” (1997, p. 340; 1987, 2000). According to Burt, cohesive contacts (strong connections, strong ties, as advocated by Coleman and Putnam as essential for the building of social capital) create a redundancy of information, and therefore, those who can bridge between different close networks, or “*brokering the connection between others*” (p. 342) enjoy an information benefit. On top of that, the more structural holes in an individual network, the greater assurance he is of opportunities or disasters ahead, thus creating access benefits and timing benefits by being the first to see opportunities where skills in another group can serve the needs in one group. Finally, being the broker between otherwise disconnected groups also creates control benefits when the broker can adjust his image with each connection and choose to pass on information as he favors, which Burt describes as entrepreneurial behaviour (Burt, 1997).

It can be observed so far; that as a rather abstract concept, there has not been an exact definition of social capital. The term social capital has been widely used in different areas of social sciences, from sociology to political science to organisational studies, since its maturing stage in the 80s of the last century. Although the three fathers of social capital theory, Pierre

Bourdieu, James Coleman and Robert Putnam, had offered slightly different notions for the concept, there seemed to be a consensus that social capital refers to “*the ability of actors to secure benefits by virtue of membership in social networks or other social structures*” (Portes, 1998, p.6). From a family business perspective, the possession of social capital as a family member allows the FB leader to draw support from the family in terms of financial or emotional or in the forms of other resources, which can be extended into the capital from the social structure of the family firm.

2.4.2. SOCIAL CAPITAL IN THE ORGANISATIONAL CONTEXT

The theory of social capital was brought into organisational studies as a source of organisational advantage concerning intellectual capital by Nahapiet and Ghoshal (1998). They suggested that “*differences between firms, including differences in their performance, may represent differences in their ability to create and exploit social capital*” (p.260). According to the authors, high levels of social capital can be developed within organisations because an organisation can continuously accumulate investments in social relations within a stable social structure with continuity. This allows relationships to be developed with stability and durability, which are “*key network features associated with high levels of trust and norms of cooperation*” (p.257). Moreover, the interdependence within an organisation, that is the high level of interaction, and the closure of social relationships within an organisation allow it to develop

high levels of relational and cognitive social capital.

Later, Leana and Van Buren III (1999) introduced a model of organisational social capital, defining social capital “*as a resource reflecting the character of social relations within the organisation and realized through members’ levels of collective goal orientation and shared trust*” (p.540). Their proposition was based on the public good and private good model of social capital on the basis that it must benefit both the organisation as a whole and its individual members. Organizational social capital contains two components: “*strong associability, in the form of both the willingness and the ability to engage in collective action [and trust]*” (p.544), which are supported by employment practices that enhance stable relationships, strong norms and specific roles within the organisation.

According to Nahapiet and Ghoshal (1998), “*The central proposition of social capital theory is that networks of relationships constitute a valuable resource for the conduct of social affairs.*” The author’s review of the early literature of the development of social capital theory’s literature (including Granovetter, 1973; Boissevain, 1974; Bourdieu, 1986; and Burt, 1992) concluded that social capital is embedded within networks and relationships and is a significant resource for social action. And the authors came up with defining social capital as “*the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit*” (p. 243), which is one of the more

general definitions of social capital used, and is echoed by Esser (2008) a decade later, who defined social capital as “*resources that an actor can mobilize and/or profit from because of his embeddedness in a network of relations with other actors, [such as] an individual’s capacity to mobilize help or a collective’s ability to generate and utilize a climate of trust*” (p.23).

In their effort to review and integrate the concept of social capital developed across different fields, Adler & Kwon (2002) categorised two different forms of social capital according to the definitions of different scholars as “bridging” and “bonding”. The bridging and bonding social capital was first introduced by Putnam (2000), referring to networks across classes and groups, as opposed to the bonding social capital which refers to horizontal networks within the same class. Adler & Kwon further generalized these two categories of social capital. The first form of social capital - “bridging”, focuses on external relations developed from works of early scholars of social capital theory, including Bourdieu’s (1985) resources linking to durable networks of relationships and Granovetter’s (1973) weak ties, as well as, Burt’s (1992) bridging of structural holes which allowed privileged access to information and knowledge.

The second form of social capital, “bonding”, focuses on internal ties developed from works of scholars of social capital theory, including Coleman’s (1990) social structure and actions of individuals within the structure; Fukuyama’s (1995) definition of social capital as a group working together for a common purpose;

and Putnam's (1995) social capital as networks, norms and social trust which motivates coordination leading to cooperation between individuals for mutual benefits.

In studying the succession of social capital within family businesses, both the "bridging" and the "bonding" form of social capital will be considered, and this dissertation defines social capital, according to Nahapiet and Ghoshal (1998), as resources "*embedded within, available through, and derived from the network of relationships*". Specifically, resources within the family's network of relationships enable the business to enjoy competitive advantages in family businesses.

2.4.3 FAMILY BUSINESS AND SOCIAL CAPITAL

Using Coleman's (1988) definition of social capital enhanced with network closure, the dense networks of families with their strong interconnections already explained themselves as to the high level of bonding social capital that members possess. According to Coleman (1988), social capital existed within families as relationships between parents and children and parents' external relations within the neighbourhood, schools, and their religious affiliations networks. This view was echoed by Widmer (2006) in his research about bridging and bonding of social capital in family configurations. Building on Coleman's definition of social capital, Widmer explained that the interconnection in a highly dense family "enhances expectations, claims, obligations, and trust because of the collective nature of

normative control”. Moreover, in such a dense network connected through highly significant relationships, Individuals are more likely to exert collective efforts to support each other in times of need.

Aside from the dense network in families creating bonding social capital, Widmer (2006) also suggested that Burt’s structural holes theory of bridging social capital may apply to relationships between family members. In cases where two family members do not enjoy a friendly relationship, a third member may act as a broker to maintain strong connections within the family. Widmer explained the example of children being the broker between divorced parents or spouses as brokers between in-laws when two spouses have distinct family members. Therefore, while high-density families have a high level of bonding of social capital, in families with relatively low connections, there could still be a high level of social capital due to the bridging role of family members. This helps maintain the bond within the family, keeping it as one, even when certain individuals within the internal network do not enjoy good relationships.

Aside from having the presence of strong social capital, research in sociology also showed that *extra-familial social capital* (the term used in family studies referring to the family external, bridging social capital, based on Coleman’s definition) has positive effects on family functioning. *Family functioning* refers to “*the extent to which family members are emotionally bonded, effectively communicate emotions and information, and*

respond cooperatively and flexibly to problems” (Freistadt & Strohschein, 2012, p.954), which, in other words, are resources a business family can use to build competitive advantages. As both bonding and bridging of social capital owned by families are interrelated, for external social capital may enhance internal bonding of social capital, therefore the ability of family members have to develop and transmit this social capital is vital to building a successful family and a successful FB. The success of the FBs concerning social capital came from the fact that by accumulating and using social capital, FBs can form sustainable business contacts and networks which generate competitive advantages over their non-family counterparts (Carney, 2005). This advantage is especially important for business in Macau and in the Chinese context when the relationship is higher valued.

The term family social capital has been used to refer to the social capital that is developed among family members and is considered “*one of the most enduring and powerful forms of social capital*” due to the “*stability, interdependence, interactions, and closure*” (the four dynamic factors of social capital proposed by Nahapiet and Ghoshal, 1998) common in families (Arregle et al., 2007, p.76-77). According to Danes and Stafford (2011), “*family social capital is goodwill among family members*”, and between them and the community that can be used to facilitate action for their business. These references to social capital echoed Adler and Kwon’s 2002 review of the literature on social capital. They defined that the substance of social capital is goodwill and its sources lie “*in the social structure within which*

the actor is located” (p.18). In this sense, as the family is the core of the social structure, it is said that “*social capital already exists in families*” (Sorenson, 2011, p.2). And even if it is possible for any organisation to develop social capital, it takes time, and so allowing family businesses to enjoy competitive advantages over their non-family counterparts by utilizing their family social capital, which is the “*trusting, cooperative relationships in a family that enables it to engage in collective action*” (Sorenson, 2011, p.1).

As social capital is already present in families, several researchers within the field of family business have made use of the social capital theory to understand the distinctness and uniqueness of family businesses (Arregle et al., 2007; Pearson, Carr & Shaw, 2008; Sorenson et al., 2009; Carr et al., 2011).

Arregle et al. (2007) created a theoretical framework for the influence of family social capital in developing organisational social capital in family firms. The authors proposed that family businesses' organisational social capital is linked to family social capital through four mechanisms: isomorphic institutional pressures, organizational identity and rationality, human resources practice, and social network overlaps. Furthermore, drawing from the dynamic factors of social capital proposed by Nahapiet and Ghoshal (1998): *stability, interdependence, interactions, and closure*, they argued how the strength of the family's social capital influences the development of organisational social capital in the family firm. Firstly, as stability

within the family strengthens family social capital, it heightens the influence family social capital has on the family firms' organisational social capital. Secondly, the family members' internal and external interactions strengthen family social capital and "*simultaneously contribute to the development of the family firm's organisational social capital*" (p. 84). Thirdly, the interdependence of family members strengthens family social capital and thus contributes to developing the family firm's organisational social capital. Finally, family social capital is also strengthened by the closure within the family, contributing to the family firm's organizational social capital development. Therefore, especially for CFB, where both structure and culture of the organisation tend to be modelled on the family's (Lee 1996; Whitley, 1990; Yan & Sorenson, 2006), they fulfil the concept of appropriable organization as introduced by Coleman (1988) and referring to the structure of organisations where ties within one organisation can easily be transferred to another creating a beneficial environment for social capital development.

Pearson, Carr and Shaw (2008) applied the social capital perspective to develop a theory of familiness, a construct introduced by Habbershon and Williams (1999). In identifying the specific behavioural and social resources that contribute to familiness, the authors emphasized the four conditions for social capital development in FBs: time/stability, interdependence, interaction and closure introduced by Nahapiet and Ghoshal (1998) to explain the conditions that enhance social capital development of FBs. Pearson et al. (2008) explained that as social

capital takes time to accumulate and develop, families have long history and stability of relationships to accumulate social capital overtime. Also, the closure of a family network provides boundaries to keep out external influence thus enhancing internal social capital development, including norms, trust, and identity (Coleman, 1990 as cited in Pearson et al., 2008). Moreover, the high level of interdependence helps shape shared vision and goals, and constant interaction that continues after working hours and strengthens relations among family members (Pearson et al., 2008).

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However, according to Sorenson (2011), not all families enjoy social capital that benefits the FB, as “*some family relationships are filled with distrust and hostility that are an all-consuming liability*” (p.3). Even those with good relationships do not necessarily contribute to the business's well-being. For a family to possess social capital that leads to competitive advantage for the business, the “three basic elements: communication, identity, and trust” (p.3) all have to be well developed.

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As an intangible source of capital, we need to have a clear connotation of the different indicators to observe in order to study how social capital is transmitted during the succession process. The following part attempts to identify the different forms of social capital derived from the different explanations of social capital used by scholars in the reviewed literature.

2.4.4 FORMS OF SOCIAL CAPITAL

As a kind of capital, social capital, like economic capital, human capital, or cultural capital, needs investment. In fact, from the beginning, when social capital was introduced as a form of capital, Bourdieu (1986) already stated that “*the network of relationships is the product of investment strategies [...] aimed at establishing or reproducing social relationships that are directly usable in the short or long term*” (p. 52). In order to invest, build or transfer social capital, it is important to identify the different elements that social capital is made up of. Therefore, this part of the Literature Review attempts to answer ***RQ1: What forms does social capital take in CFBs?***

Nahapiet and Ghoshal (1998) introduced the three dimensions of social capital, including the structural, cognitive, and relational dimensions, which have been the basis for later efforts in theorizing social capital (e.g. Pearson et al., 2008; and Carr et al., 2011). The structural dimension of social capital refers to network ties, configuration, and appropriable organization, which forms the structure for social capital development (Nahapiet & Ghoshal, 1998). From the review of CFBs earlier in this chapter, it was clear that with a culture that emphasises the closeness of family and the importance of relations and the culture and structure of families that are appropriable to the FBs, CFBs possess the structural requirement for developing and accumulating social capital.

The cognitive dimension of social capital includes shared codes, language, narratives, and resources that provide shared representations, interpretations, and systems of meaning (Nahapiet & Ghoshal, 1998), which Pearson et al. (2008) later explained as shared vision and language that “*allows for shared communication and integration of ideas*” (p.957). For this research, I include this dimension under the form of social capital named shared value among members of FBs. Finally, the relational dimension of social capital includes trust, norms, obligations and identification (Nahapiet & Ghoshal, 1998), which several scholars have considered important forms of social capital (e.g. Coleman, 1988; Putnam, 1995).

Just as economic capital is in the forms of money and assets, throughout the literature on social capital, in order to concretize this intangible capital, scholars have used different terms such as the different forms, features, indicators or elements of social capital to explain this concept. For this research, the term “forms” of social capital is used to prevent confusion, following Coleman (1988) and Nahapiet and Ghoshal (1998). The forms of social capital will also be used as themes for analysing the qualitative data collected from in-depth interviews during the coding process.

From the beginning, when social capital was first introduced, it was explained to be in the forms of networks and relationships (Bourdieu, 1986; Burt, 1997; Coleman, 1988; Lin, 1999; Portes, 1998; Putnam, 1995), of which Coleman (1988)

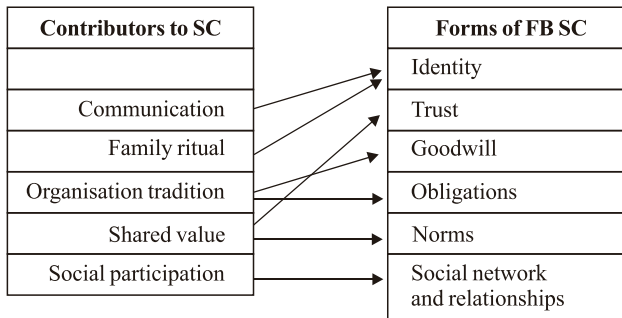
further broke it down to refer to social capital as in the forms of trust, norms and shared values, which was echoed by Putnam (1995) who refers to social capital as networks, norms and social trust, with emphasis on the importance of social network and social connectedness. The concept of relationship or connection in Chinese business *Guanxi is particularly important in studying CFBs. It is considered a personal asset in the Chinese culture* and a key success factor for business, which can be facilitated through group identification (Yeung & Tung, 1996).

Social capital, as referred to in the forms of *trust, norms, and shared value*, has been echoed by a number of scholars after Coleman (1988) and Putnam (1995) (including Leana & Van Buren III, 1999; Nahapiet & Ghoshal, 1998; Pearson et al., 2008; Pearson & Carr, 2011; Sorenson, 2001), of which, Pearson and Carr (2011) refers to the role of trust as central to family social capital. Leana and Van Buren III (1999) added a collective goal aside from shared trust as an important organisation's social capital. Other forms that social capital takes, especially for family social capital, according to different authors, include goodwill (Adler and Kwon, 2002; Arregle et al., 2007) which Adler & Kwon refer to as the “*substance of social capital whose effects flow from the information, influence, and solidarity such goodwill makes available*” (p.18). Especially, for the family business, emphasis must be placed on the importance of family rituals, communication, and identity (Bruess, 2011; Nahapiet & Ghoshal, 1998; Pearson et al., 2008; Sorenson, 2011). A few of these forms or indicators of social capital are interrelated and seem to

contribute to one another.

Therefore, to answer the first research question (RQ1: What forms does social capital take in CFBs?) to clarify the constructs for this research, Figure 1 summarizes the discussion and shows the different forms of and contributors to social capital.

Figure 1: Forms of social capital



To summarize, Figure 1 shows that identity, an important element of family social capital (Sorenson, 2011), and can be strengthened through family rituals and communication as Bruess (2011) explains that family rituals, which refer “*all acts of communication – from the routine family dinner to the celebratory family holiday traditions*” (p.115), are constructors of family identity. At the same time, family rituals that spill over to the business, identified here as organisation traditions which I referred to as routine organisation gatherings, should contribute to FB identity among non-family employees. Shared value, while mentioned by different authors as a form of social capital (including Coleman, 1990; and Putnam, 1995), the shared purpose, vision, and language (which I generalize as shared value

for this research) can lead to collective trust and norms (Pearson et al., 2008). Finally, Putnam (1995) states that social networks and relationships are built upon social participation and engagement.

2.5 TRANSGENERATIONAL TRANSMISSION OF SOCIAL CAPITAL

The succession of social capital is an interesting area to study because it is intangible. Unlike economic capital (money) or physical capital (tools and assets), it “cannot be traded on an open market” (Leana and Van Buren, 1999, p.539) and cannot be inherited or passed on through a will. Moreover, similar to human capital (skills and knowledge) social capital has to be accumulated over time. However, unlike human capital, it takes more than scholarly perseverance and hard work of practice to develop social capital because ‘no man is an island’. So, no one can create or develop social capital, which is embedded in relations and networks, without other people. Furthermore, the ability to transfer tacit knowledge as commitment, trust, and reputation across generations is crucial to the survival and growth of FBs (Cabrera-Suarez et al., 2001).

Although the importance of the role of family social capital in family business succession has been raised (Arregle et al., 2007), not many researchers have covered this area, and the intergenerational transmission of social capital is still understudied except for Weiss (2008; 2012) in sociology, and Steier (2001) who explored the modes of succession and means of

next-generation management of social capital in FBs, as well as Huang (2008) whose conference presentation emphasized on the importance of transferring social capital in FB succession for Chinese business. However, the means of how to achieve intergenerational transmission of social capital have yet to be examined.

In his PhD dissertation on *‘Intergenerational transmission of social capital, its meaning for crime in adolescence, and for offending in early adulthood*, Weiss (2008) argued that the development of social capital begins in early life, and parents pass on “*social skills, norms of group behavior, and values that encourage social interaction [...] over the course of their children’s development*” (Weiss, 2008, pp.26). Later in 2012, Weiss published part of his dissertation which further emphasized his theorization that parental social capital and the social capital of adolescents are connected through a mechanism of intergenerational transmission, with support from socialization literature in the transmission of athletics-related values from father to children; intergenerational transmission of values, and intergenerational transmission of ethics and morals suggesting that “*parents are able to transmit pro-social values and social skills to their children*” (Weiss, 2012, p.218). His research shows that there exists “*a parent-child transmission of social capital beyond the effects of structure and individual traits*” (Weiss, 2012, pp.232).

In his research, Weiss investigated the transmission of

parents' social skills and social networks in the neighbourhood to their children and the development of adolescents' social capital network in the school. By studying social capital transmission by drawing on work from developmental literature and the transmission of values and culture of which, he suggested a theory of social capital transmission from the transmission of three factors from parents to children: *“social skills, norms of group behaviour, and values that encourage social interaction”* (2008, p.26). According to the author, as children observe parents' behaviour in different social groups, they imitate their parents, shaping their future behaviour (Weiss, 2008). This could be especially important for business in non-verbal exchanges, which could determine success in business negotiation and, adding to that, in maintaining social ties. In order to navigate social capital networks, it is important to understand the norms of different groups which children acquire from their parents in childhood. After acquiring behavioural skills needed in networking, in early adolescence, the children begin extending their social network outside of the safety of their parent's social network (Weiss, 2008). Thus, shaping the future of how the next-generation continues to expand and build on their own social networks for the family business. Finally, *“since it takes a lot of skill and energy to navigate social networks, it is important that parents provide adolescents with values that encourage social engagement [through] showing adolescents the things both they and the parents gain from the networks the parents are involved in.”* (Weiss, 2008, p.28)

From his research, Weiss outlined a possible mechanism for transmitting social capital from parents to children. His research supported his argument that there is a positive correlation between parental social capital and adolescent neighbourhood and school social capital, independent of any neighbourhood effects on the adolescent. This present research follows Weiss' argument and formulates that parents' social capital is central to developing a business family's social capital, which is passed on to the next generation and is especially essential to the sustainability of family businesses.

According to Weiss (2008), former studies of intergenerational transmission of cultural orientation by sociology and political scholars had found that children internalize their parents' values and cultural orientations in late adolescence and presumably imitate their social networking too. Based on these suggestions, it would seem to be important to identify how forms of social capital, including family and business norms and values for social interaction, are passed on from parents and are acquired by next-generation family business leaders from adolescence to adulthood in an extended succession process as proposed for this research, i.e. from the pre-succession stage during childhood.

Although the social capital theory has been used in many areas of family business research, the succession of family social capital is not much studied, with the exception of Steier's research which studied *"the processes by which next-generation*

entrepreneurs inherit and manage social capital” (2001, p.263). In this research, he identified four modes of transferring social capital: “unplanned, sudden succession; rushed succession; natural immersion; and planned succession and deliberate transfer of social capital”, as well as seven means of managing social capital: “deciphering existing network structures; deciphering the transactional content of network relationships; determining criticalities; attaining legitimacy; clarifying optimal role; managing ties through delegation and division of labour; and striving for optimal network configuration and reconstituting network structure and content” (p. 259).

Although the modes of transferring social capital were identified in Steier’s grounded theory research, only the means of managing social capital by the next generation were offered, not the means of transmission of social capital. From his exploratory research, Steier proposed:

- For family firms, the structural, relational, and cognitive dimensions of external social capital networks are often understood and retained through tacit knowledge routines.
- Within family firms, next-generation entrepreneurs inherit social capital through a variety of modes, including unplanned sudden succession, rushed succession, natural immersion, and planned succession and transfer of social capital
- Within family firms, the transfer of assets and control to the next generation is marked by:

- Increased activity on the social capital/relationship formation
 - Increased activity in revisiting existing relationships and either maintaining, strengthening, or culling these ties
 - The establishment of new relationships
- Family firms' transactional content of ongoing exchange relationships may vary between generations.
 - For family firms, succession and the transfer of assets marks a period where weak ties with obscure bridges to resources disappear (p. 274)

Building from Steier's (2001) proposition, this research controls the mode of succession under natural immersion and planned succession as all five cases chosen for this research are in the 4th stage, early succession (when successor assumes management responsibilities), or 5th stage final succession (when incumbents retire and successor have full control) as defined in Table 1 earlier in the literature review part. Also, as networks are retained through tacit knowledge routines, this research investigates how these networks are retained or passed on from the incumbent to the successor and how the successor further develops social capital within FBs through establishing new relationships.

2.6 THEORETICAL FRAMEWORK OF SOCIAL CAPITAL SUCCESSION IN CFBS

My research focuses on Chinese family business only because due to the Confucius culture that centres around family and the high number of businesses in Macau that are family-owned. Most family business succession is planned with an intentional or unintentional transfer of social capital from a younger age of the next generation leaders. And thus, in answer to Steier's call for further studies controlling for succession modes in order to better understand the dynamics of social capital in family-business succession, and based on his propositions, this dissertation answers the question: *How is social capital in Chinese family businesses transferred from one generation to the next during the intergenerational succession of leadership?*

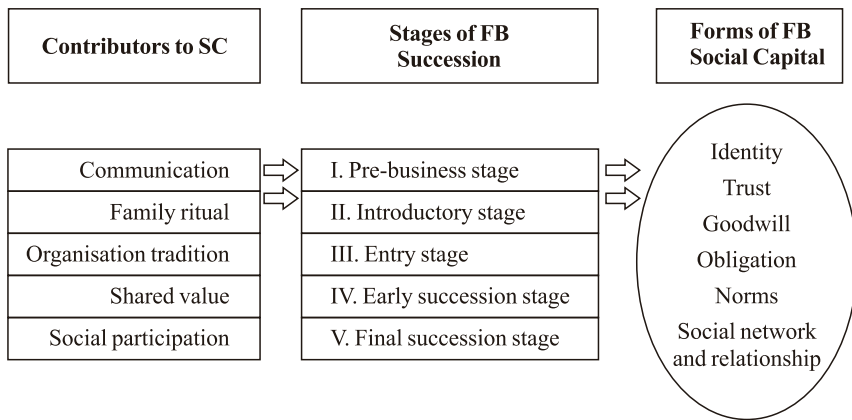
The broad research question is broken down into the following research questions for investigation:

- RQ1. What forms does social capital take in CFBs?
- RQ2. What contributes to the strong bonds within the family?
- RQ3. What causes non-family employees to bond with the FBs?
- RQ4. How does the incumbent develop and maintain business and social connections?
- RQ5. How can the incumbent transfer the social skills needed to develop and maintain social capital to the successor?

While RQ1 has tentatively been answered from analysis of

previously published research in this literature review session, to answer the four questions that follow, the multiple case study method is used, which includes in-depth interviews with the incumbent and/or successors with prompt questions about family history and stories, as well as the investigation into secondary data and on-premise observations to relate the generation of social capital within the FBs to the stages of FB succession, proposed to be used as follows.

Figure 2: A proposed theoretical framework for social capital succession



According to the literature review section, the stages of FB succession were identified, and based on McGivern's (1989) three stages succession cycle, Cadieux et al.'s (2002) four phases succession models and the seven stages of Longenecker and Schoen's (1978) succession process, this study proposed a five-stage succession to be analysed. As a result of the literature review of social capital, I have identified elements considered as forms of social capital. At the same time, some are contributors.

The following propositions are formed, based on the literature review in relation to the research questions:

- Proposition 1: The practice of open communication and continuous family ritual enhances the FBs' identity for the successors, thus strengthening their family social capital
- Proposition 2: The practice of informal communication and organisation tradition enhances the successors' goodwill with and obligations of non-family employees
- Proposition 3: Emphasis on the shared value of the FBs strengthen trust among family members and non-family employees in the successors
- Proposition 4: Putting shared value into action enhances social trust and norms within the FBs
- Proposition 5: Encouraging the next generations' social participation increases the successors' social network and relationships by enhancing their reputation

This framework proposed is that by incorporating the contributors of social capital, including open and informal communication, family ritual, organisation tradition, shared value and social participation at different stages throughout the succession of a FB, the incumbents can successfully pass on the FB's social capital which includes FB identity, social trust, goodwill among stakeholders, norms, social network and relationship to the successors.

The next Chapter explains the methodology used to test the theoretical framework proposed here in the five CFBs in Macau.

CHAPTER 3 METHODOLOGY

The previous chapter reviews the literature leading to the development of the theoretical framework for understanding social capital succession in CFBs. The research question was formed to explain how social capital is passed on from generation to generation. And as family and business histories, family members' relationships, succession planning and intention of research subjects are important for the study, a qualitative research method is considered more suited for this purpose, and thus the multiple case study method is applied. The following parts explain the methodology chosen for this research in detail.

3.1 METHODOLOGY OVERVIEW

As this research explores the process of social capital transmission, this research has been approached from a qualitative perspective. Among the different types of qualitative research, the multiple case study method was chosen because a 'how' question was intended to be answered. According to Yin (2009), how and why questions favour the case study method. Secondly, according to Morse and Field (1995), the case study method is suitable as a descriptive question that aims to develop in-depth understanding and provide insight into an issue. Moreover, from a post-positivist standpoint, all measurement is fallible. Therefore, the multiple case studies method is adopted, which includes multiple data collection methods, and allows for data verification and triangulation (Creswell, Hanson, Plano & Morales, 2007).

This empirical research is based on a multiple-case design for comparative and generalisations. In order to follow the replication logic for a multiple-case study (Yin, 2009), a criterion was set for choosing the sample for the five cases of family businesses in different industries in Macau. Data was collected through secondary data, including online media, news articles about the CFBs or prior interviews with the leaders, on-premise observations, and in-depth interviews with the current CFBs leaders based on a semi-structured questionnaire to provide structure and direction for the interview. The design of the semi-structured questionnaire was based on a research paper on five CFBs in Singapore by Tan and Fock (2001). A detailed book of the research was published later by Fock (2005), which explored the dynamics and growth of CFBs.

3.2 RESEARCH DESIGN

According to Yin (2009), there are five important research design components for case studies.

- 1.The study's questions;
- 2.Its propositions, if any
- 3.Its unit(s) of analysis;
- 4.The logic linking the data to the propositions; and
- 5.The criteria for interpreting the findings. (p.27)

The design of this multiple case study research according to the five components proposed by Yin is shown in Table 2 below:

Table 2: Five components of case study research design

Study questions	<p>Main Research Question</p> <p>How is social capital in CFBs transferred from one generation to the next during the intergenerational succession of business leadership?</p> <p>Breakdown into:</p> <p>RQ1. What forms does social capital take in CFBs?</p> <p>RQ2. What contributes to the strong bonds within the family?</p> <p>RQ3. What causes non-family employees to bond with the FBs?</p> <p>RQ4. How does the incumbent develop and maintain business and social connections?</p> <p>RQ5. How can the incumbent transfer the social skills needed to develop and maintain social capital to the successor?</p>
Propositions	<p>Proposition 1: The practice of open communication and continuous family ritual enhances the FBs' identity for the successors, thus strengthening their family social capital</p> <p>Proposition 2: The practice of informal communication and organisation tradition enhances the successors' goodwill with and obligations of non-family employees</p> <p>Proposition 3: Emphasis on the shared value of the FBs strengthen trust among family members and non-family employees in the successors</p>

	<p>Proposition 4: Putting shared value into action enhances social trust and norms within the FBs</p> <p>Proposition 5: Encouraging the next generations' social participation increases the successors' social network and relationships by enhancing their reputation</p>
Units of analysis	Relationships (family and non-family staff)
Logic linking the data to	<p>Pattern matching – actions or events of FBs to be matched with propositions</p> <p>Cross-case synthesis – each case to be analysed individually and</p>
propositions	then compared across
Criteria for interpreting the findings	See below Table 5: Process of content analysis

Among the different types of case studies, this research has chosen the comparative case study methods, looking at different companies in different industries owned and run by different families, which aims for generalization purposes in theory building. As the case study method requires evidence from different sources, data for this research are collected via documentation, interviews and direct observations (Yin, 2009).

3.3 DATA COLLECTION

This research includes five cases, and for each case, data are collected from in-depth interviews with the successor and the incumbents (if possible), informal interviews with family members and/or non-family staff, secondary data from websites, news and published interviews with the FB leaders, and observations which are conducted with the purpose where possible, for triangulation purposes of the evidence. The cases chosen have to meet the following criteria:

(1) At least two family members must manage the CFB. That is with the successor at least currently in the early succession stage (Stage IV) assuming management responsibilities, while the incumbent is at the retiring stage.

(2) Local (Macau) Chinese small-to-medium enterprises (SMEs) started in Macau, with the family holding most of the shares. Due to cultural issues that could affect family dynamics, for consistency purposes, local Portuguese or Macanese (the term refers to Chinese-Portuguese mix) FB or Chinese FB started abroad by families who immigrated to other countries or those with major foreign investments are not considered for this research.

(3) The incumbents are the parents of the successors. This criterion was set because there are cases where the children refuse to join the FB, and the parents have to pass the businesses to relatives or hire non-family managers. At

the same time, the families still own the company.

(4) The current CFB leaders, at least the successor, are available and willing to partake in the research and to consent to in-depth interviews that would inquire into their family lives and relationships with family members and non-family staff.

Although the majority of SMEs in Macau are FBs³, there do not seem to be many which fit the first criteria, probably because the definition of family firms in Macau includes all companies started by couples or siblings as well, so even if the majority are considered FBs, not many have passed on or are passing on to the next generation. However, the most challenging criterion was the fourth one, as it is common for people not to want to talk about their families, especially knowing their family relationships will be analysed. It has been quite challenging to find cases that meet the four criteria set for this research sample.

Invitations for interviews were made to seven known families, but the response rate was low. Through an introduction by acquaintances from local business associations, academic institutions, and friends of friends, five CFBs fitting the four criteria were approached and agreed to participate in the research. These five CFBs were also chosen because of their representation in different sectors according to the categorization of the structure of economic activities published by the Statistics and Census

³ According to the report "A Study on Franchising Business and its Interactive Development with Medium and Small Enterprises in Macau" published by the Macao Trade and Investment Promotion Institute (IPIM) in August 2008

Service Bureau (Macao Industrial Structure Report, 2013), namely Business service, Food and Beverage, Wholesale, and Retail. The two retail businesses represent two major retail sectors, one being Jewellery, which tops the consumption index of retail sales according to Macao Economic Bulletin (2014, 3rd quarter), and the other Bakery Souvenir, which is referred to as the “brand and image of Macau’s tourism industry (translated from 今天的手信業，儼然已成為澳門旅遊業的招牌” whose development was considered miraculous according to the Macau Magazine⁴

Due to the demographic of the researchers’ associates, the person being approached for each case is the successor, except for one in which the incumbent was initially approached. The original plan was to conduct two in-depth interviews per case with the incumbent and the successor, respectively. However, for three cases, the incumbents were not available for interviews. One is retired and does not want to be disturbed, one has not been in Macau, and one has passed away. Therefore, two separate interviews were conducted with the successors for the two cases where the incumbents are still alive, and the successors answered the questions on behalf of their fathers. For those two interviews, questions were sent earlier to the successors, so they could consult their respective predecessors on issues they were not clear about, for example, the reasons for starting their businesses or the value they held when starting the businesses. In the last case, family

⁴ Macau Magazine (2011) <http://www.macauzine.net>

members were interviewed to fill the gaps, as the successor could not provide much information due to his quiet personality. The characteristics of the five FBs for this case study are shown in Table 3 on the next page.

The five cases that agreed to participate in the research were all fathers and sons succession, which was not a criterion for this research. CFBs with fathers and daughters succession has also been approached for this research, but responses were not optimistic. However, most CFBs fitting the criteria for this research in Macau is, in fact, fathers and sons succession. It could be a result of the Chinese culture of the father's intention to pass on the FBs to the eldest sons, but that seems to be true only for Cases 1 and 4 in this research. In the other cases, the choice of successors tends to be the obligation or interest of the successors to continue their fathers' businesses. The following parts explain the actions taken in data collection.

Table 3: Characteristics of the five cases

	Case 1	Case 2	Case 3	Case 4	Case 5
Company name	Keng Ou CPAs	Choi Heong Yuen Bakery	Yang Kei Hong	Seng Fung Jewellery	Nam Peng Café
Business sector	Auditing	Souvenir	Wholesale/distribution	Jewellery	Food and Beverage
Founding year	1979	1935	1975	1983	1965
Generation	1 st and 2 nd	2 nd and 3 rd	1 st and 2 nd	1 st and 2 nd	1 st and 2 nd (3 rd being interviewed too)
Industry	Auditing	Souvenir	Trading	Jewellery	Food and Beverage
No. of staff	25 ~ 30	Over 200	Around 50	Over 200	Around 25
Age of incumbent	Early 60s	Early 80s	Early 60s	Early 70s	Mid 60s
Age of successor	Early 30s	Late 40s	Early 30s	Early 40s	Late 30s
Incumbent/successor relations	Father / Eldest son	Father / Third son	Father / Youngest son	Father / Eldest son	Father / Son
No. of siblings of successor	1 sister	3 brothers / 3 sisters	1 sister	2 brothers	1 brother / 2 sisters
Relatives of successor working in the family firm	Father & mother Aunt (Father's sister) Uncle (Mother's brother)	2 sisters	Father & mother	Father & brother	Wife, brother and sister-in-law Two sons
Stage in succession process	Stage IV: Early succession	Stage V: Final succession	Stage IV: Early succession	Stage IV: Early succession	Stage IV: Early succession

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3.3.1 DOCUMENTATION

For each of the five cases, after gaining the successor's agreement to research his company, the first step was to go through an documentation analysis. As the research is about the CFBs' social capital, the documentation includes news articles about the firm, awards they've received, and/or previous interviews with the incumbent or the successor, blogs and reviews by their customers, and so forth. These data from secondary sources provided insight into the incumbents, the successors and the FBs' reputation in and relationship with the society, and the values of the FB embedded in the CFB leaders' interviews.

3.3.2 INTERVIEWS

The main data for this case study research is collected from in-depth interviews with the incumbents and their successors. To triangulate the data, informal interviews in the form of casual conversations were also conducted with family members, non-family employees, and family associates. All interviews are conducted in Cantonese. The in-depth interviews with the incumbents and successors are recorded and transcribed if permitted. For interviews in which recording was not possible, notes are taken during the interviews.

IN-DEPTH INTERVIEWS

While searching for secondary data, arrangements were made to conduct interviews with the incumbent first and then the successor. The interview with the successor covers the start-up story and the family and organisational culture in the early stage. Then the interview with the successor was set at least one week apart to allow for time to draft up the case's background before the interview with the successor that focused on the succession process. For the cases where the successors were interviewed on behalf of their fathers, Case 2 and Case 3, the interviews were set further apart, allowing time for the successors to be released from the fathers' perspective so that they could be reflecting on their own experiences when answering questions directed for the incumbents in the first interviews. Most of the interviews were recorded, and the transcripts were typed out for analysis, except for three of the interviews where the subjects refused to have the interviews recorded. For those, notes were taken during the interview and were shown to the interviewee for verification before the notes were used for analysis. Table 4 below shows the semi-structured questions used for this interview.

Table 4: Interview questions for CFBs' social capital succession

<p>A.Profile of the family business (for founder)</p>
--

<p>1.When was the company formed?</p>

2. What was the motivation for the founder to start this family business?
3. What are his beliefs in life?
4. What are the core values held by the founder?
5. What are the founder's entrepreneurial competence and managerial skills?
6. What are the limitations of the founder?
7. What are the characteristics of the founder's management style?
8. How much is the founder's management style determined by his cultural heritage?
9. Does he trust non-family professionals in his business?
10. What are the success factors during the first generation of the business? (How was trust, identity, reputation created within social network?)
11. How would you describe the decision-making process of the family business?
12. What are the important turning points in the development of your family business? Prompt for how the family handled the business in 1997, 1999, 2003, 2005 and 2008.
 - 1997 Macau faced security problem due to triads' fights with gunnings in the street causing the city to become a tourists black spot
 - 1999 Macau handover, increasing security and FIT from mainland China
 - 2003 SARS outbreak created a financial crisis in Macau
 - 2005 Opening of casinos caused an economic bloom
 - 2008 Global financial crisis
13. What is the growth plan of your business? How do you see its future?

B. Management style and practices of the incumbent and the successor

14. What is your educational background and work experience?

15. Are there any conscious effort by the founder to try to influence the successor's management style and practices?
16. What is your management style and practice?
17. How much is it influenced by the first-generation leader? (successor)
18. What are the management practices and values you have retained from the first-generation family business leader? Why? (successor)
19. Is the success dependent on the family business structure (or family structure)?
20. What do you consider to be your biggest achievement?
21. What do you consider to be your biggest disappointment?
22. What do you consider to be your most important role in the company?
23. How would you describe the decision-making process of the family business?
24. How important is social networking to your family's business?

C. Family culture and organizational culture

25. How many members are there in your family? How many are working in the family firm, and what are their responsibilities?
26. How would you describe your family culture?
--- Stories about Family gathering? Decision making (who)? Relationship between family members? How conflicts are handled?
27. How would you describe the organizational culture of your family business?
--- Formal meeting? Informal gathering? Relationship between staff? How conflicts between family member and non-family employee are handle?
28. Does your family business practice formal planning and use non-family professionals in the management and operations of its business?

D. Succession issues

29. Did the first-generation family business founder plan for or prepare the next generation to take over the family business?
30. At what age did the next generation start working at the family business? Were there any prior experiences of working at the family business?
31. Did the next-generation join the family business out of interest or because of family obligations?
32. Have the next-generation undergone any form of 'formal' management training?
33. How was the succession process achieved? Was it smooth or difficult? What are the factors that have contributed to the smooth/difficult transition?
34. Does the current FB leader believe in preparing the next generation for succession?
35. How important are business network connections relative to the growth of the family business?
36. To what extent did the first generation pass on business network to the next-generation? How?

The interview questions were developed based on Fock's (2005) research which studied the dynamics of FBs. Fock's cases focused on the growth of CFBs. However, questions related to profile, management style, family and organisational culture, and succession issues are areas that my research needed to explore. Therefore, their semi-structured questionnaire was adapted for this research. Questions related to culture and practice were elaborated to prompt stories of stories and incidents about family and organisational traditions and practices. A specific question about the turning points of the family business (Question 12) was

designed to prompt stories about how the family overcame difficult periods both during the economic crisis and bloom. The questions related to family and organisational culture were set to get stories that could reveal the relationships among family members and non-family employees to investigate the level of bonding social capital.

Eleven in-depth interviews (2 from each FBs, 3 from case 5 because both incumbent and successor were not talking much, and an extra interview was conducted with a daughter of the incumbent) were conducted over approximately one year, while a continuous search for secondary data and informal interviews were ongoing for verification and triangulation purposes. The long time, needed to conduct all the interviews was a result of the busy schedule of the research subjects, most of whom are often out of town, and because interview appointments have to be cancelled a few times due to sudden business matters. The in-depth interviews were conducted with the incumbents or successors or with both in all cases except for Case 5, in which the interview conducted with both the incumbent and the successor were brief, and the information they provided was limited. The reason could be that they have never been formally interviewed before, and both father and son, according to the incumbent's daughter and sister of the successor, do not speak much even at home. Therefore, the incumbent's daughter was interviewed to fill in the gaps and provide information about their grandfather, the founder of the business, and the family.

INFORMAL INTERVIEWS

In order to ensure the validity of and to supplement the interviews with the fathers and sons, (if applicable), informal interviews were carried out in the form of casual conversations with other family members, non-family staff, and family associates. For instance, for Case 5, a traditional café, visits to the café were made to carry out informal conversations with the family members. For this particular case, the more in-depth interview was conducted with the daughter of the CFB owner, the sister of the 3rd generation successor. She was more willing than the successor to share information about their family and family/non-family staff relationships.

These informal interviews were not recorded, but notes were taken to supplement data lacking from in-depth interviews. For other cases, informal interviews were also conducted with staff at the establishments of the businesses and business associates in the industry if possible, especially if observations cannot be carried out during the interview sessions.

3.3.3 OBSERVATIONS

Observations can be done as formal or casual data collection activities, of which formal observations can be used to assess certain behaviour, and informal observation data can be collected throughout field visits while collecting other types of data, including interviews (Yin, 2009). In order to conduct

observations of the dynamics within the workplace of the CFBs, interviews were requested to be conducted on the premise where the CFB leaders work. Moreover, the interviewees were encouraged to continue their daily work if possible during the interview, allowing for direct observation of their relationships in the office (or shop). While all the interviews were conducted on the premise of the CFBs, it allows for informal observation. If approved by the interviewees, efforts were made to arrive earlier and to stay longer after the interview to observe the dynamics within the organisation. This was possible for Case 1, Case 3 and Case 4, which are small offices and during waiting time, as well as throughout the interviews, when the interviewees needed to take phone calls and answer other responsibilities, I was able to observe and take notes of the office dynamics. For Case 4, the CFB's premise includes more shops and a large back office, so the first interview was arranged at the back office/workshop in Zhuhai, where I was shown around the premise and was able to stay for a few hours before and after the interview for observation. The second interview conducted in the office above one of the shops allowed me to observe the daily operations as well as the networking of the successor.

Case 2 and Case 5 took place on a floor separate from the other staff. Therefore, observation could not be carried out during the interview visit. So, for Case 2, visits were paid to a few retailers' branches at non-peak hours to observe the dynamics between the staff and to conduct informal interviews with the staff by asking them why they think their brand was so successful and

how well they know the Wong family. For Case 5, as it is a café, formal observation was carried out on other days to observe the dynamics between all members of the CFBs and their interaction with customers. The data collected from observation notes mainly answers the questions related to relationships with non-family staff. Table 5 summarizes the observations done in each case.

Table 5: Summary of direct observation

Who?	Where?	When?	How long?
Case 1	Office of the CFB (open meeting room)	Interview with incumbent	3 hours
	Office of the CFB (incumbents' office)	Interview with successor	3 hours
Case 2	4 different branches of the CFB's retail shops	Informal interviews with staff	30 minutes x 4
Case 3	Open concept meeting room at back office	Interviews with successor	6 hours /2times
Case 4	Back office/workshop in Zhuhai	Interview with incumbent & successor	4 hours
	Office of successor in Macau	Interview with successor	2 hours
Case 5	Café of the CFB	Direct observation	2 hours x 2

3.3.4 DATA COLLECTED IN RELATION TO RESEARCH QUESTIONS

The different evidence collected is aimed to answer the different research questions set in the previous chapter in order to answer the big research question:

How is social capital in CFBs transferred from one generation to the next during the intergenerational succession of business leadership?

To answer this question, five smaller research questions were set. The review of the literature was able to provide an answer for the first question, *RQ1. What forms does social capital take in CFBs?* However, the forms of social capital identified in literature was mostly from western sources. This research provides empirical evidence to identify social capital specific to CFBs. Therefore, through the interviews, I aim to verify if those forms of social capital exist in the CFBs and if other forms that were not highlighted in previous literature are observed.

For the second question *RQ2. What contributes to the strong bonds within the family?* – The answer is to be found mainly through the in-depth interview with the successors and the incumbents of the CFBs, and to be verified through informal interviews with family members or non-family employees.

For the third question *RQ3. What causes non-family employees to bond with the FBs?* – The answer is to be gathered from the interviews with the incumbents and successors and observations of the workplace dynamics.

For the fourth question *RQ4. How does the incumbent develop and maintain business and social connections?* – It is mainly to be answered by the incumbent, supported by the interview with the successor, other family members, and secondary data gathered about the CFBs and the incumbents.

For the last question, *RQ5 How can the incumbent transfer*

social skills needed to develop and maintain social capital to the successor? – The answer is to be gained from interviews with incumbents and successors, informal interviews with family members and secondary data about the CFBs and the successors. Figure 3 below shows the diagram of data sources for each research question, and Figure 4 shows the procedures for data collection.

Figure 3: Data source for each research question

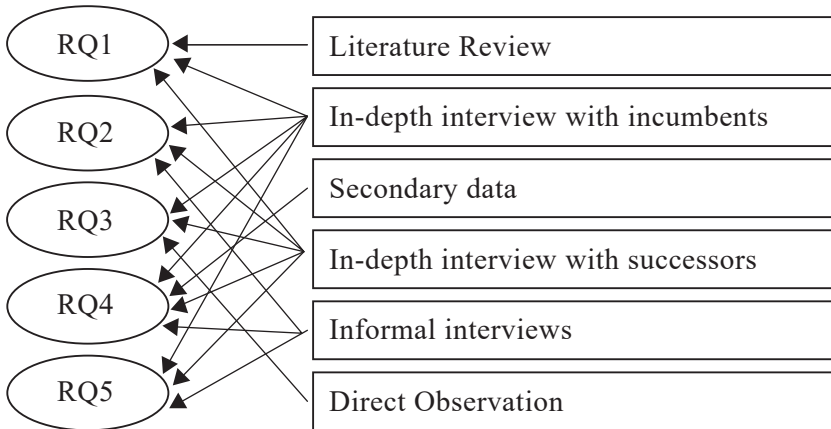
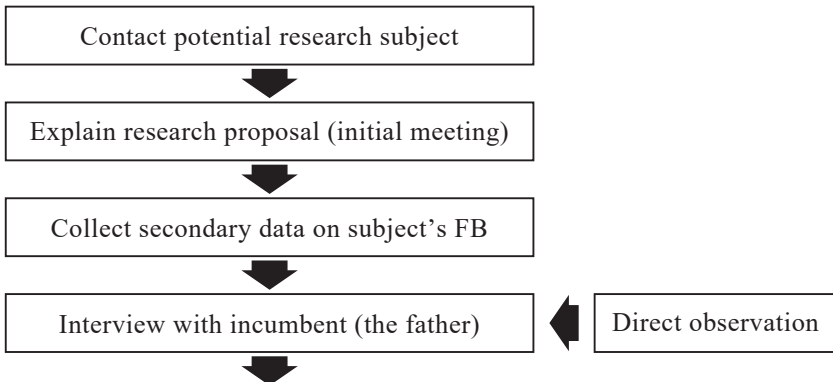
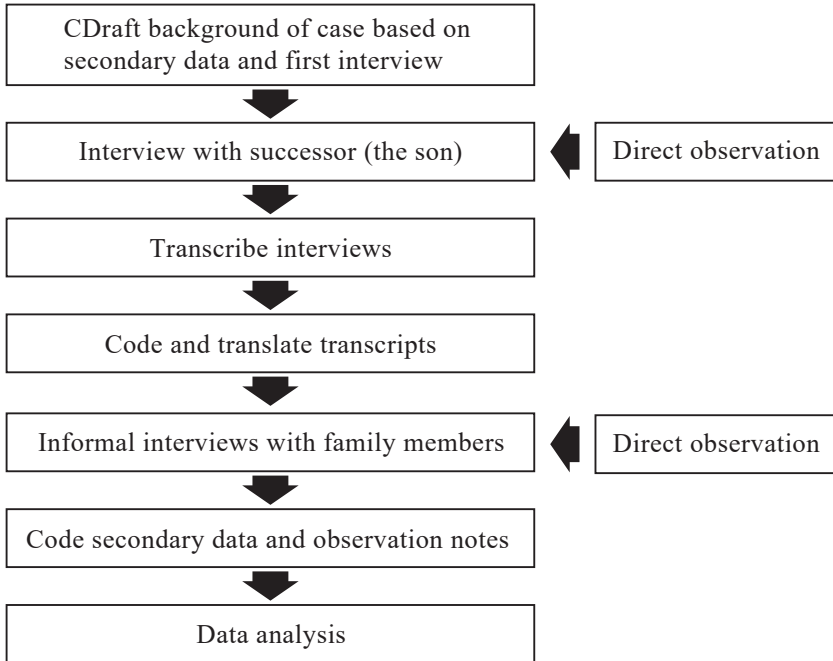


Figure 4: Research data collection for each case





3.4 DATA ANALYSIS

The following parts explain the technique used for analyzing the data collected through the different methods.

3.4.1 INTERVIEWS

The technique of qualitative content analysis is applied to analyse the data from the in-depth interviews as the data are obtained from narrative responses to open-ended questions through interviews. The analysis ‘goes beyond merely counting words to examining language intensely to classify large amounts of text [into categories]’ (Hsieh & Shannon, 2005, p.1278). So, the seven classic steps of the analytical process developed by Kaid (1989) (as cited by Hsieh & Shannon, 2005) were applied as follows:

Table 6: Process of content analysis for interviews

Process	Application
I. Formulate research question	The big research question is broken down into five questions to be answered through findings from the interview and supported by direct observations and documentation. Interview questions were designed to prompt answers to the research questions.
II. Sample selection	Five cases of CFBs were selected, and ten in-depth interviews, informal interviews, observations, and documentation analyses were carried out
III. Defining categories	Propositions for the research served as initial categories for analysing the results
IV. Outline coding process	Contributors and forms of social capital identified from the literature review serve as guidelines for coding the transcript, while more codes could be defined during the data analysis to allow for new findings
V. Implement coding process	
VI. Determine trustworthiness	Cross-check interviews of incumbents and successors; and secondary data, direct observation and informal interviews for support
VII. Analyzing results	Cross case synthesis is applied to compare the results of each case for theory building and generalization purpose

Based on the research questions, the literature review was conducted. Based on the literature review of the social capital theory, a theoretical framework was developed with propositions on how CFBs' social capital is transmitted from the incumbents to the successors. The contributors to social capital (communication;

family ritual; organisation tradition; shared value; social participation) and forms of social capital (identity; trust; goodwill; obligations; norms; social network and relationships) identified from literature review findings are used as initial codes, but new codes could be defined during data analysis to allow for new findings. The codes are then categorised under the five categories (the five propositions), and new categories will be created for relevant codes that do not go under those five.

The coding process began with an overview of the transcript (in Chinese), where key ideas or activities related to the family's relationship are circled or underlined. The transcript is then reviewed again, and codes are given to the underlined ideas while more ideas are identified. The third step includes highlighting the ideas on the soft copy of the transcript and translating the highlighted ideas into English to be ready for categorizing. The following Table 7 shows an example of the coding process.

Table 7: Sample of coding process in content analysis

<p>…我們現在最主要的發展目標都是在澳門之中，再做好點。在澳門的根基建立得好，與此同時把澳門這麼有特色的產品，再向外</p> <p>Our main focus is still in Macau. We want to do better, improve a unique Macau product, and then bring it to the world</p>	<p><i>Macau identity</i></p>
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<p>國發展。我們欠缺的不是突然來的一筆大資金來發展這方面，因為本身咀香園都是家族生意的原因，我會曾說我們的根基是較穩健的，我們[一家都]不是很急地要去發展一個業務，而需要一大筆資金，就不是這點。</p> <p>Because we are a family business, we have a strong foundation, and all family members are not eager to expand our business</p> <p>J: 所以個形象是較澳門的。</p> <p>A: 是，以及我們這個家族的生意，他的後一代，我們的兄弟姊妹，都比較明白，這個細小的生意，其實到現在，在澳門都有十多多間分店，都有小小的規模。我們的兄弟姊妹都好珍惜這企業。For this family business, this generation, my brothers and sisters, we all understand this small business developed until we have so many branches today is not easy. We all cherished this enterprise.</p> <p>所以大家都不會有這個上市的想法。因為其實有很多投資的公司都會推銷，說你間公司都有很麼久的歷史，上市對你很有利，因為多人識你，你一上市，所有的錢都會回來先你那邊，你還可以繼續運作。但對於我來說，上了市就開始不只是向自己屋企交代，要向所有的股東公眾交代。</p>	<p><i>Family shared understanding / strong foundation</i></p> <p><i>Siblings all valued FB</i></p>
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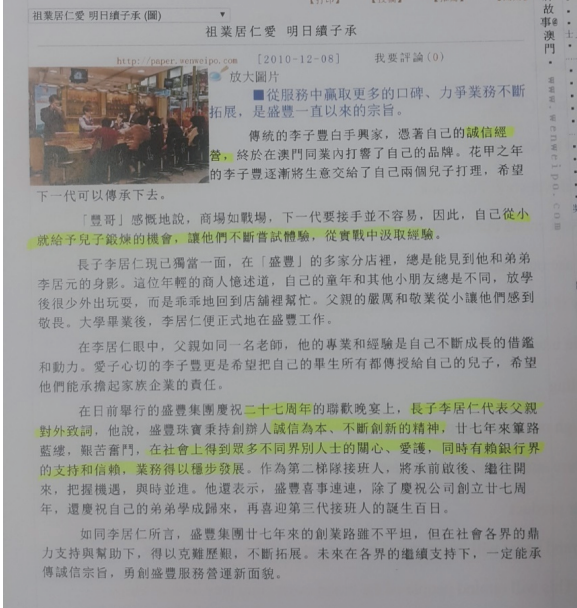
The codes are then categorized under the contributors to social capital and forms of social capital to analyse the relationship and support the propositions. Data gathered from the interviews are then cross-checked for support from documentation (secondary data) and observation notes.

3.4.2 DOCUMENTATION

Documentation is collected from the CFBs' websites, if applicable, news articles about the CFBs, prior interviews with the CFBs online and in print, and customers' reviews from blogs and social media. These secondary sources were scanned through before the interviews to give a general background of the CFBs. Information contributing to answering interview questions is noted and prompt for further elaboration during the interviews. After analyzing the interviews, which provided the primary data sources for this research, the secondary data are being studied again. This time, to find support for the findings from interview transcripts and notes. An example of secondary data analysis supporting interview findings is shown in Table 8 on the following page.

Table 8: Sample of secondary data analysis to support interview findings

<p>The codes are then categorized under the contributors to social capital and forms of social capital to analyse the relationship and support the propositions. Data gathered from the interviews are then cross-checked for support from documentation (secondary data) and observation notes.</p>	

<p>Pic of highlighted news article</p> 	<p>Shared value</p> <p>Repeated to all staff (presumably at least annually) acknowledged by the media, creating reputation of the CFBs that contributes to social trust, hence the support and trust by the banking industry</p>
<p>Translation of highlighted information</p> <ol style="list-style-type: none"> The traditional Lee Chi Fung built his own successful brand in Macau based on his honesty and integrity in doing business He trained his son since a young age, offering him opportunity to gain practical experience During their 27th annual dinner, Kenny Lee delivered the speech on behalf of his father which he emphasis their value: the spirit of continuous innovation with honesty and integrity as foundation'... ...gaining the love and care from different industries, and thanks to the support and trusts from the banking industry, our business enjoyed steady development. 	

3.4.3 OBSERVATION

For most cases, direct informal observations were carried out at the location of the two in-depth interviews with the CFB

leaders at their offices. As the interviews were conducted at an open door, allowing the interviewees to continue managing their businesses during the interviews, observations could be conducted throughout the interview and sometimes before and after, for a total of 3 hours each, except for Case 2 and Case 5 where interviews were conducted at a location separated from the hustle and bustles of the office. Therefore, separate observations were conducted for those cases. Notes taken during the observations mainly focused on relationships between the CFB members. Table 9 below shows how observation notes are used to support findings from the interviews.

Table 9: Sample of direct observation to support interview findings

Case 1 Keng Ou CPAs analysis	
<p>Informal communication and shared understanding enhances goodwill among members of CFBs</p>	<p>Incumbent: “there are no rules and no policies, everyone understands how one can get promoted. It is all fair and so there is no office policies....” “we do not have formal teams, a few staff may work together on a project, but they can get others to help too, this prevents competition between teams, and their perception of unfairness if one team finishes their work faster...”</p> <p>Successor: “we currently don’t have formal rules or meetings, anyone with ideas can come discuss with me or with anyone. There is no competition in the office, we all have our places, and our office is harmonious...”</p> <p>Observation Notes ~ ~ One lady staff shouts out to a male staff from a different team for help (in a friendly way) about data on client list, the male staff member drops his</p>

	<p>work and approached the lady's cubical to help resolve the problem.</p> <p>~ Staff walking around chatting and joking, seems to be from different departments or different teams.</p> <p>~ Staff coming in and out of the successors' office (informally) asking approval on different matters (during the interview), and chatting in a friendly way.</p>
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3.5 VALIDITY

Yin (2009) summarized four common tests for all social sciences research methods and set the criteria for judging the quality of case studies research designs. The following will address the methodology for this research according to these four criteria: construct validity, internal validity, external validity, and reliability.

In order to achieve construct validity, this research design uses “multiple sources of evidence” to collect data, including in-depth interviews, informal interviews, documentation analysis, and direct observations. These help to “establish a chain of evidence” (Yin, 2009, p.41) primarily identified from analyzing the in-depth interviews and supported by evidence from secondary data and direct observations. Further informal interviews with family members and non-family staff are carried out when necessary, and the draft of the cases is sent back for review by CFB leaders.

In order to ensure internal and external validity, propositions and research questions were set based on an extensive literature review. Then empirical data were compared to see if the patterns matched. This pattern matching form is one way to ensure the internal validity of the evidence for case studies (Yin, 2009). For external validity, a multiple case study was designed using replication logic that allows for cross-case comparison and contributes to the generalization ability of the theory building from these cases. Finally, a case study database has been kept for reliability, including transcripts of interviews, observation notes and secondary data for review or for future replication of this methodology in similar case studies. Interview notes and observation notes are typed up right away for easier review and for analysis in case handwriting and symbols the research used for note taking are incomprehensible. The analysis of each case and the findings for this multiple-case study research are explained in the next chapter.

3.6 RESEARCH ETHICS

Following the major principles of research ethics from Lichtman's (2010) book, the following ethical issues in terms of confidentiality and anonymity, informed consent and intrusiveness in qualitative research have been considered and explained in this part.

3.6.1 CONFIDENTIALITY AND ANONYMITY

The main data for this research is based on in-depth interviews with the CFB leaders of the five cases. The interviewees are informed of the nature of this research and have been asked if they preferred anonymity, but the owners of the five cases do not mind using their real names for this academic research. However, although not all interviewees agree to have the interviews recorded, those agreed are on the terms that the transcripts served as sources for the researcher to draft and analyse the cases only, and the transcripts and records shall not be distributed.

The informants were promised anonymity for the informal interviews with stakeholders of the five CFBs. Therefore, the names and organisations of these interviewees, including employees, industry partners, business relations, and even the time and location of the interviews, are not to be mentioned in the cases and analysis. Because Macau is a very small place, and the five cases are all well known in town, the disclosure, even of the location of where an interview is conducted, e.g. at which branch of the particular CFB at what time, could disclose the identity of the interviewees.

3.6.2 INFORMED CONSENT

An initial meeting was set up with each of the key interviewees of the five cases (the incumbent in case one and the

successors in the other four cases) to explain in detail the nature of this research. The interview questions were also distributed to them before the interviews to get their consent and the consent of their fathers (or son in Case 1) to study their CFBs. The research was conducted only after reviewing the questions and receiving approval from the CFB leaders. The interviewees were informed that the cases are for a PhD research and will gain further consent from the business families if they are to be published in the future. Moreover, the subjects were informed that their recorded interviews will be transcribed for drafting the cases only and will not be distributed or published.

3.6.3 INTRUSIVENESS

To avoid intruding into the interviewees' busy work schedules, the interviews were conducted at a location chosen by the research subjects. As it has been explained to the research subjects that each interview may take around 2 hours, and further observation would have to be conducted to observe workplace relationships, most of the interviews are chosen to be done in their office. This allowed the interviewees to continue with their work during the interviews and allowed the researcher to conduct observation simultaneously without having to arrange for another date for direct observation.

The observation for cases 2 and 5 were done separately at the shops of Choi Heong Yuen and Nam Peng Café, but as a customer, without intruding into the work of the research

subjects, and informal interviews conducted with staff or customers then were in the form of casual conversation. For these interviews, the interviewees may not be told it was for research purposes, but the identity of the interviewees shall not be disclosed.

CHAPTER 4 FINDINGS

Chapter 3 explains the methodology used for this research and the data analysis methods. This chapter presents the findings from the five individual cases. According to De Massis and Kotlar (2014), the presentation of case studies results is a challenge, and suggested results to be presented in the form of a “narrative description of the case studies that is interspersed with quotations from key informants and other supporting evidence” (p.23). Therefore, this section of the case study results is presented through the narrative of the five cases, primarily based on the in-depth interviews of incumbents and successors. Sources from secondary data, observation or informal interviews used to support the cases will be mentioned or quoted in the cases. Sections 4.1 – 4.5 provides information on each case, followed by the individual findings from the analysis of each case. Section 4.6 combines the findings of the 5 cases to discuss each of the five propositions to answer the research questions set forth for this research.

4.1 CASE 1 - KENG OU CPAS 京澳會計師事務所

4.1.1 INTRODUCTION

Keng Ou CPAs (Certified Public Auditors), formerly Leong Kam Chun & Co., is one of the most widely known and acknowledged accounting firms in Macau. Beginning as a sole proprietorship, Leong Kam Chun & Co. established Keng Ou CPAs in 2011, a partnership between Leong Kam Chun and his

sister, also a certified auditor, Leong Wai Peng. Aside from auditing and accounting services, the firm's main income source is their 'company secretary' business, providing secretarial services to off-shore and local firms, including setting up companies, dealing with the change of ownership, offering virtual offices, and handling other administrative procedures. This part of the business is currently managed by Leong Kam Chun's son Tomas Leong, who has an Accounting Degree but is not a certified public accountant. While the second generation business leader or the successor manages the 'company secretary' sector of the business, his aunt Leong's sister Leong Wai Peng handles the traditional auditing business. Leong's wife, Maria, has also been involved in the company as Tomas described as "the firm's mother" who takes care of minor administrative work and overall maintenance of the office, as well as the relationship building for Leong. Although Mrs Leong has been responsible only for minor work in the office, her absence is often greatly felt by all staff whenever she is away as she is the glue that holds everyone together.

Although Leong Kam Chun & Co and Keng Ou CPAs are two businesses in one company with the same staff and both are owned by Leong Kam Chun, for consistency reasons, this case will refer to the company as Keng Ou CPAs (and it should be noted that it, Keng Ou CPAs, includes Leong Kam Chun & Co.) as this will be the name of the company the second generation owner Tomas Leong is taking over.

4.1.2 BEGINNING AND GROWTH

Leong Kam Chun & Co. auditing firm was founded in 1979 by Leong Kam Chun as a sole proprietorship. Leong graduated with a degree in Commerce in 1973 and worked as an accountant for the then-only casino in Macau for five years. He developed an interest in accounting and decided to take this path for his professional career development. Seeing that there were no audit firms in Macau then, Leong started his own firm when only a few more opened. There was not much competition, with only around ten audit firms during the 80s and 90s of the 20th century. Currently, there are 300 registered accountants/auditors, and 20 of them have their own firms. Even though more and more large enterprises are opened in Macau, the auditing industry still faces strong competition, but Keng Ou CPAs has managed to expand and is now growing rapidly.

When Leong Kam Chun & Co. was first founded in 1979, there was only one staff member, and as Leong established his client base, the firm grew steadily to 7 staff by 1999. After the handover of Macau's sovereignty from Portugal to China, the business started growing speedily. The workforce has now expanded to 25 full-time and seven part-time staff, which is quite big for an auditing firm. So, what led to the successful expansion of a small audit firm? The economic development in Macau overall is one reason. As Leong mentioned, the accounting/auditing industry is greatly affected by the growth rate of other firms. The higher the profit of local firms, the more they

need professional auditing for their annual financial report. But with as many as 20 audit firms and 300 accountants/auditors in Macau now, depending merely on the auditing business still would not bring in much business. Therefore, the ability to diversify is needed, which is the other reason for Keng Ou CPAs' success.

In 1999, the company had already started providing services for offshore companies. Originally, they partnered with a law firm to provide a one-stop service, from a companies' start-ups, partnership agreements, changing of ownership, and financial reporting to providing a virtual office and also taking care of the administrative procedures. The partnership with the law firm ended in 2002, and Keng Ou CPAs has handled the whole process alone. This "Company Secretary Service" became the millions of dollars sector of the firm's business. Now, this main sector of the firm's business has been taken over by Leong's son Tomas Leong who is continuing to expand this sector. As both father and son foresee further economic development in Macau, both are prepared for further expansion of their family business.

4.1.3 THE INCUMBENT

For the founder Leong Kam Chun, the most important values, no matter in life or at work, are to "be fair to everyone, exert your best effort in doing anything, do not worry about giving or doing more and suffering a loss, and be willing to learn with humbleness 公平, 盡本份, 唔怕蝕底, 虛心學習". Leong believed

that this is what his reputation and that of the company's are built from. As he puts it, "by doing these things, people will trust you and will offer you more business." The value of hard work and not worrying about giving and doing more than others have been preached to his children since they were kids, and his son Tomas can still recall the words "hard work, giving and doing more, and being humane to others [and to the staff], his father valued all these over money and fortune". In fact, although Tomas recalled that Leong had already predicted the real estate sector would go up in the 90s, he did not invest in real estate "because his father thinks that money is not important to the family, and what they had was enough." Even with a certain amount of wealth now, Leong still insisted on walking and using public transportation rather than getting a car.

Leong also believed in the closeness and importance of family. He had kept the tradition of Sunday lunch gatherings started from the time when Leong's father was still alive when he and Maria would take their children, Tomas and his sister, to have lunch with their grandparents, up to now, when Tomas is taking his family and kids to have lunch with Leong and Maria. Before Tomas had his own family, his father, mother and son often talked about business during their Sunday family gathering, and many decisions were made during informal family sharing.. For instance, when Tomas suggested compensating holidays for public holidays that fell on weekends and casual Saturdays, Leong did not agree. However, after informal discussions at family gatherings, Leong finally agreed to his son's suggestions. This

weekly gathering, till now, is treasured by the family to keep track of what is happening with everyone. The difference is that Leong talks less about business but more about his grandkids now. His family values is not only shown within his own family; Leong also does not encourage working overtime in his office because he wants his staff to go home early and to be with their families.

Being a very traditional Chinese family, the father is often strict and serious and takes care of everyone in the family, making all the decisions on family matters. This works fine for the family with strong filial piety, as Tomas and his sister respect their father's decisions. Also, Leong asks for opinions and suggestions from his family before making the final decision. He believes that as long as he puts fairness as the foremost value for decision-making, conflicts can be avoided. The family seldom has any conflicts, according to both Leong and Tomas. Due to this strong family value, Leong manages his firm as if it is a big family, with a paternal/fraternal style. To him, the company is his extended family where the Leong family cares for and supports every staff, and within the firm, all staff support each other. There are no formalities, rules and policies as Leong believes that policies cannot be perfect and may cause conflict that harms the harmony amongst staff.

In all these years, Leong never had a written employment contract with his staff, they just agreed on a salary, and everything else automatically followed the labour law. According to Leong, “we never have any conflict or argument with staff related to

employment”. There have never been any official policies for promotion. However, everyone understood how they could get promoted and never complained about the fairness of promotion in the office. This shared understanding is also shown in the lack of formally formed teams in the office. Leong thinks that forming teams may cause an unfair workload, “if one team gets easier cases, it will affect the morale of other teams and the relationships of staff”. Therefore managers assign individual projects to individual staff, and when the project is done, the manager will assign another one sequentially. When the staff needs help with a project, other colleagues automatically help and support each other. There has been no competition, everyone knows what each other is doing, and they work towards achieving the same goal, that is to “do our very best做到最好”. All staff are motivated to contribute to the bigger good because of the firm’s reputation as the government’s most trusted auditing firm. Staff at Keng Ou feel pride in working for Leong Kam Chun and are willing to cooperate and work hard to keep this identity for the group. Moreover, Leong kept reminding staff that “the company is like rowing a dragon boat. It needs everyone to row in the same direction for the boat to move forward”. Everyone remembers this, and Tomas echoed this, like a motto of their firm.

Within the organisation, Leong promotes transparent and fair promotions and rewards practice, and by not comparing staff, he has prevented conflicts between staff which helps establish strong bonds. It usually takes a few days for new staff to become friends with everyone in the office. There is also a norm of no

unhealthy competition amongst the staff and no talking behind each other's back, which creates a strong level of trust. Aside from having a team of close and trusted employees with a collective goal of striving for quality, error-free work for the overall reputation of the firm, Leong's civic engagement as being a member of the legislative assembly member from 1988 to 1991 has also contributed to establishing his reputation and his trustworthiness amongst his clients. He also encourages the firm to participate in social activities, and volunteer work together, which he believes enhances internal and external bonds.

Leong's management practice has successfully enhanced the company's internal social capital, and the firm's success also depends on his wife, Maria, who is the lubricant for Leong's social relationships. As she remembers everyone, she had helped the family and the firm to maintain good social relationships. Maria had also kept information transparent within the family and the firm, making sure everyone knew what was happening all the time. With the firm's rapid expansion, there will soon be too many employees, and it will be hard to carry on with this informal way of management. However, Leong believes it will be up to his son to decide on management changes, believing the firm's core values will still be upheld.

4.1.4 THE SUCCESSOR

Tomas Leong, the eldest of two siblings, has studied in

Australia since grade ten. Originally wanting to study history, Tomas was convinced by his father to take up business instead. Business seems like a better choice because there is not much of a career in studying history. Tomas admitted that accounting seemed the most interesting among the different majors on offer, so he graduated with a BA in Accounting in 2000. After completing his studies, he worked in Hong Kong for one year at one of the Big Four accounting firms, Ernest & Young, encouraged by his father to gain experience. Tomas joined his father's firm in 2002 and started with group A Taxation work and later took over management of the off-shore and company secretary business. Leong used to encourage Tomas to take the exam for certified auditor in Macau. However, Tomas failed twice. Now he focuses only on management, as his aunt (Leong's sister) is a certified auditor; Tomas thinks there is no hurry to have another certified auditor. Meanwhile, Tomas's brother-in-law is taking the auditor exam. If successful, he will join the family business and work as a partner with Tomas in the future.

When he started managing the firm, Tomas imitated his father's paternalistic leadership style, which is he portrayed himself as a serious fatherly figure, but later he found that it did not work for him. So Tomas adopted a friendlier style, often joking with his staff. He believes this makes him harder to guess and so actually gets more respect from his colleagues. Tomas admitted that his father influenced his management style. While Leong has always been strict and authoritative, he tried to move in the other direction and adopted a brotherly relationship with the

staff, accepting that he is not the smartest in the firm. He does not exert much authority on his employees but believes that as long as the whole company maintains a collective goal, all the staff are motivated to work hard. Although, to be practical, Tomas sometimes exerts authority as his father did, as always being too kind does not always motivate effective work.

Like father, like son, Tomas also maintains a family-like environment within the firm, they have no formal meetings, and decision makings done during informal discussions. There is a strong atmosphere of casualty and yet efficiency in his office where staff would come in and out asking questions and opinions, informing him of ongoing projects. At the same time, Tomas often walks around and approaches his colleagues casually about the work they are handling. Also, like his father, he too is willing to trust his employees like his own family and to empower them to take responsibility for projects individually which has contributed to the year-on-year improvement in the firm's profit and expansion in size. However, the downside of having a company as an extended family is that everyone is close to each other, and it hurts when an employee has to leave for another job, it feels personal, "like a good friend is leaving". Unfortunately, being a small business, it is hard to compete with large enterprises in terms of salary. However, Keng Ou's turnover rate has been very low, with quite several staff working there for years already.

4.1.5 THE SUCCESSION PROCESS

Succession is critical to running an accounting firm as the name of the accountant is itself the brand. After years in the industry, Leong Kam Chun has become one of the most well-known and trusted auditors in Macau. Therefore, knowing the importance of succession, Leong found out early, when his kids were still young, whether they were interested in accounting. “If my son had not shown interest in the business, I would have to find a partner to carry on the firm,” Leong commented. Luckily, Tomas showed interest in accounting, although it was not his first choice.

One year after Tomas graduated from college, he joined Leong’s company, Keong Ou CPAs. In 2011, Leong was appointed as Managing Director of the local television broadcast TDM by Macau’s Chief Executive Officer, so Tomas’ succession process had started. At first, Tomas was given some small projects while Leong sat back and observed. “If he has questions, he would ask other colleagues or me, but it is better to let him decide how to handle them rather than telling him how to do the job.” Then gradually, happy with his son’s work, Leong let Tomas take over the whole segment of the secretary service for off-shore firms.

During the three years Leong had to head TDM, Tomas took care of his accounting/auditing business and made most of the management decisions while Leong took on the adviser role.

After Leong fulfilled his appointment at TDM, he returned to head the firm, but Tomas still made 70% of the management decisions. At the age of 65 at the time of the interview, Leong has plans to hand over the business 100% to Tomas in a few years. However, Leong believes in a slow transition. He still advises Tomas on big decisions that affect everyone in the company, and he still takes care of the firm's finance himself, which are some of the parts Leong is slowly passing on to Tomas.

It was not hard for Tomas to fill the role as head of the firm as the staff started almost automatically to seek and follow his decisions when Leong was not around. Although Tomas had not been involved in the company before officially joining in 2002, he had visited the office quite often before. Even as a kid, he had visited with his father and hung out in the office, and all the staff already knew him as "Small Mr Leong". The succession process has been smooth so far as Leong has slowly passed on responsibilities to his son internally and externally. As soon as Tomas began managing the family business, Leong encouraged him to start handling clients himself and to build his social network through honesty, transparency and hard work, values that Leong has been promoting within his family and his firm. Although most of the clients only know Tomas as Leong's son from the beginning, in a couple of years, Tomas has already gained his own reputation and the trust of his clients. He has extended the database of Keng Ou CPA's clients by developing his network.

4.1.6 CASE 1 FINDINGS

This part presents the findings in Case 1 in relation to the propositions presented for this research.

Proposition 1: The practice of open communication and continuous family ritual enhances the FBs' identity for the successors, thus strengthening their family social capital

One form of social capital in the family business is the FB identity. In Keng Ou CPAs, Tomas's identity as the firm's leadership successor began before he started his management position. According to him, *“Every staff knows me as ‘small’ Mr Leong before, and they came to me for decisions whenever dad is not around”*. And from an early age, Tomas planned to continue his father's business due to early communication with him. Mr Leong recalled that when Tomas was still very young, he had already inquired about his son's interest in joining his firm.

Moreover, while he did not try to force his son, Mr Leong communicated the benefits of the accounting industry. This open communication between father and son, coupled with the early timing, *“when Tomas was still in his early teens,”* according to Mr Leong, gave his son a clear future of his role in the FB. Moreover, as a ritual, the whole family have lunch together every Sunday. They discuss everything from family to business, shaping the business into part of the family's conversation, in which all family members give opinions openly about the business. Thus,

the family and the business became one. Aside from during the Sunday gatherings, Tomas also commented on the situations where he would discuss business with his father, which is “any time”, adding to their comments that the family and the business are one. This enhances the successor’s identity and the whole family's identity as a business family. Even though Tomas’ sister does not participate in the firm, her husband, Tomas’ brother in law is working on getting an auditing license to participate in Keng Ou CPAs, helping his brother-in-law with the auditing side of the business after the retirement of Mr Leong, and his sister.

Proposition 2: The practice of informal communication and organisation traditions enhances the successors’ goodwill with and obligations of non-family employees

Furthermore, the father and son have mentioned that they consider their staff part of their extended family. Because of that, there have been no formalities within the firm. Their form of open and informal communication between all members of the FB (both family and non-family) has shaped the company into a big family. It has enhanced the identity of the whole group as members of Keng Ou CPAs. It has also been observed that the family members working in the firm, including Tomas’ mother and uncle, are literally at home in the office. At the same time, Mrs Leong goes around setting up and cleaning up things after everyone. All staff addressed Uncle Leong as “uncle”. The goodwill between all members within the CFB can clearly be observed from the comfort level of the staff members from asking

each other for favors from fixing the data page, to passing documents, to finishing up a report. There is also a strong feeling of a friendly atmosphere, and unlike many offices, members in Keng Ou CPAs seemed busy and were running around, handling different things simultaneously. They do not look highly stressed. The level of goodwill between the Leong family and non-family employee is also obvious from their organisational tradition from having a few annual dinners together to going on trips together (something Tomas initiated some years ago and has continued since).

Moreover, as a tradition started by Mr Leong, the firm has supported local charity events and participated as volunteers, lending out office space to charity groups to use as a station when they are going out for fundraising. All these informal traditions seem to have strengthened the bond within the firm and explain the low level of staff turnover at a small firm which cannot compete with the many large enterprises in terms of remuneration and benefits.

Aside from the form of communication within the CFB and their tradition of staff activity, the goodwill and obligation within the firm seem also to be strengthened by the overall reputation of the firm. According to Mr Leong, *“every staff here helps and supports their colleagues when needed. We have no competition because everyone knows what each other is doing and we work together to achieve our goal”*. This collective goal among all staff with the CFB is *“to do our best”* as every

employee knows that the industry and even the government acknowledge the quality of the work from their company, “*the government department knows that if our firm does the auditing, they do not have to worry about mistakes*”. Therefore, employees are proud of being a member of this firm and maintaining this reputation. They work hard towards doing their best. Knowing this importance, Tomas has maintained the effort to strive to be the best in a collaborative effort with every staff in the firm. During his interview, Tomas also mentioned that the company to him is “*like a dragon boat, and it can only move ahead if everyone row together in the same direction*”, which Mr Leong used in the interview before as well.

Proposition 3: Emphasis on the shared value of the FBs strengthen trust among family members and non-family employees in the successors

The proposition is supported in the case of Keng Ou CPAs. According to Mr Leong, “*everyone in the firm trust one another, there is no secret, we all know what each other is doing, and we maintain fairness with every staff.*” This trust could be the result of the values that Mr Leong often repeats “公平, 盡本份, 唔怕饋底, 虛心學習 *Be fair to everyone, exert your best effort in doing anything, do not worry about giving or doing more, and be willing to learn with humbleness*”. These values have also been repeated by Thomas a couple of times during the interview. Once referring to what he thinks are his father’s values in running this CFB, and the other time referring to the values he upholds, which shows that

he has consciously, or maybe unconsciously, retained his father's values. According to both father and son, these values of fairness, humbleness and hard work are shared by all staff. Tomas revealed that his father often repeated these values and the metaphor of the dragon boat during informal communication with the staff, so everyone understood it. Because the Leong family strongly values fairness and transparency at work, there is a strong atmosphere of trust among the staff. It has been observed that the CFB leaders do not lock their office doors, and staff can come in and out casually to get things and leave things.

Moreover, employees at Keng Ou CPAs communicate openly with Tomas about their projects and are not afraid to admit they do not know how to do something and are not afraid to ask for help. Also, during the interview with Tomas, staff would drop in from time to time to talk about business, and Tomas commented that his colleagues always do that. The staff's trust in the successor is also shown by their support for him in the changes he is implementing. According to Tomas, as the company is getting bigger and the family has predicted it is going to continue growing due to the growing economy with more and more large organisations who need auditing and company secretary services, some systematic structure might be needed even though Tomas is determined to maintain a culture of informal communication. And when asked if his employees complained about new administrative procedures, Tomas said they all understood the need and followed his direction. This could be because of the family's open and clear communication with the staff, so there is

a strong level of shared understanding.

It is also believed that the staff at Keng Ou CPAs strongly support the firm's values. They work collectively to maintain the reputation, so Tomas repeatedly mentioned that the values his father set strengthen the employees' trust that the successor will maintain the values of fairness, humbleness and hard work and will continue to lead them to be the most trusted auditing firms in Macau.

Proposition 4: Putting shared value into action enhances social trust and norms within the FBs

The value of fairness and transparency can also be seen from the open concept design of the firm and the lack of formal team structure. So, the repeated emphasis of the CFB's value and the dragon boat metaphor to all members seems to have strongly contributed to Keng Ou CPAs' overall transparency and trust level. And this level of trust is not only directed to the CFB leaders, the incumbent, and the successor, the trust level between employees, is also strong. It was observed that staff are not reluctant to tell each other what they are doing and are not afraid to ask each other for help or direction. This could be a result of the practice of the incumbent's values. As mentioned in the case, Mr Leong did not think there was a need for written policies for rewards, for all staff to understand the requirement for promotion as it is openly shared with everyone. So, there is no suspicion of favouritism whatsoever.

This practice of showing by doing did not only create shared value and understanding among members of the CFB but also has enhanced the relationship between all members, which explains the many informal gatherings the whole company have together for meals, travel or supporting charity works. These collective actions have also established the industry's trustworthy reputation of Keng Ou CPAs.

Proposition 5: Encouraging the next generations' social participation increases the successors' social network and relationships by enhancing their reputation

When asked about social relationships, Mr Leong once agreed that social participation is very important. He believed that *"trust and identity in the society have to be earned and accumulated"* therefore, he encouraged his son to contact and deal with clients directly for years to accumulate his social network. Tomas also shared that his father would not take him out and introduce him to clients or other stakeholders as his son but encouraged him to step out, make sales calls, and participate in social engagement. As Mr Leong was a member of the Legislative Assembly in the 80s and early 90s, he understood the importance of getting out into society to meet people, *"people will only trust you if they know you,"* he emphasized that *"no matter how good and hard-working you are, people need to know you first to know your capabilities"*. Encouraging his successor's social participation is the expanding network of Keng Ou CPAs and the increasing number of new clients contributing to the rising

profits.

4.1.7 CASE 1 CONCLUSION ON SOCIAL CAPITAL SUCCESSION

Keeping social capital growth in the business is key to success in Macau's SMEs. Internally, bonding social capital, including trust, effective communication, shared identity and having a collective goal, has been very strong in Keng Ou CPAs. It is observed that staff communicated freely within the office of Keng Ou CPAs, and the open concept office reflected the culture of having no boundaries between departments or teams. Even the bosses' offices have open doors where staff can pop in and out freely. Although having a different management style, Tomas can maintain the strong bond established by his father within the firm. This has been smoothly and successfully done by consciously retaining some practices from his father, including an informal family-like discussion in place of formal meetings and the repeated mentioning of the unofficial company's motto of the dragon boat.

Although Leong admitted that internal trust and the collective goal have contributed to the high quality and error-free work provided by their firm, which in turn, has established their reputation in the industry, Leong also believes that network connections are very important if a person or a firm wants people to know about you. He explained, *"if they do not know you or have never heard about you, they will not do business with you"*.

Therefore, he often encouraged his son and his staff on the importance of social networking, *“If you are responsible for sweeping the floor, then you don’t need to socialize. But if you want to move up and take up more responsibilities in the business, you have to deal with clients and participate in social networking,”* Leong told them. Leong does not force his family or staff to extend their social network, but he communicates to them the value of social relations.

Leong understands the importance of trust, a strong identity and a good reputation in the industry, and he believes these need to be earned and accumulated over time. So he has been urging his son to deal with clients directly for years. When Tomas started in the company, Leong would bring him out to business networking events to introduce him, and then slowly, Tomas contacted clients by himself. Tomas believed that by referring to his father’s name, which is the company's name, he had already gained a certain amount of trust and reputation. After that, it depends on how he fulfilled his responsibilities.

Aside from directly introducing Tomas to business associates, Leong also encouraged his son and his staff to participate in volunteer work with him because caring for the community is an important value for the firm. And through his actions, both the family members and staff members understand the importance of participating in community service.

4.2 CASE 2 - CHOI HEONG YUEN BAKERY 咀香園餅家

4.2.1 INTRODUCTION

As one of the oldest traditional bakeries in Macau since 1935, Choi Heong Yuen Bakery is one of the most well-known brands in Macau. Their shops are a “must go” tourist destination for purchasing almond cakes, phoenix egg rolls, and other traditional Chinese snacks as souvenirs. From a small shop located near the inner harbour selling snacks to travellers catching the boats to Hong Kong since the 1930s, the bakery now owns 14 outlets in Macau, with an annual sales increase of up to 40% in the last 15 years⁵ and their products are now distributed in Hong Kong, Mainland China, the United States, Canada, Singapore, Malaysia, Australia, and is also available on Amazon.com.

For 50 years, the Wong family sold traditional cakes baked at the back of their store, ensuring their products' freshness. Until 1989, according to government policy, production had to be moved to a factory, so they opened a factory in the city's northern district. Even though most shops relocated their factories to Mainland China after the handover in 1999 to take advantage of the low rent and labour costs, Choi Heong Yuen insisted on keeping their factory in Macau for the quality guarantee and for their products to be 100% made in Macau.

⁵ 中國新聞網(China News) <http://big5.chinanews.com:89/ga/2014/12-18/6888122.shtml>

Being the pioneer in brand building in Macau, Choi Heong Yuen has established itself as Macau's top brand and is widely known to tourists coming to this city. In fact, Choi Heong Yuen is considered the "tourism ambassador" and the brand that attracts tourists to Macau, according to a Chinese monthly magazine⁶. As a recognition of the marketing effort of the brand's third-generation business leader, Alan Wong, the Chief Executive of Macau SAR, awarded him the 'Order of Merit for Tourism' in 2002. The popular Macau brand has also received numerous awards, including the annual 'Hong Kong and Macau Merchants of Integrity Award' and 'My Favourite Top Ten Brands of Macau' since 2005, the 'Best Brand Enterprise Award' in 2007, the 'Macau Prime Awards for Service Excellence in 2008, and 'King of Almond Cakes Award' in 2011, to name a few⁷.

4.2.2 BEGINNING AND GROWTH

Now a billion-dollar enterprise, run by third-generation managing director Alan Wong, Choi Heong Yuen was first started as a small snack shop near the Inner Harbour by Alan's grandfather Wong Kit Bun 黃潔彬 almost 80 years ago. The idea came from the travellers' demand for snacks, which was considered quite a long boat ride between Hong Kong and Macau in the 1930s. As the founder's sister was skilled in making Chinese cakes and cookies (traditional journey snacks then), Wong Kit Bun opened his small

⁶ Business Intelligence Monthly Magazine (January 2010) Issue 53

⁷ According to Choi Heong Yuen's website: <http://www.choi-heong-yuen.com/newsite/tc/honour.php>

shop in 1935, selling snacks to travellers. For around 20 years, Choi Heong Yuen was a simple, tiny snack shop. After Wong Kit Bun's son, a second-generation owner, took over in 1958, the trend of buying Chinese cakes as souvenirs had just began. Aside from snacking during the boat ride, travellers started buying Choi Heong Yuen's cakes home for friends and relatives, but business was not especially good for the bakery yet. During the 60s, the shop merely survived through the purchases by Hong Kong travellers.

Then in the 70s, the souvenir trend extended to South East Asian travellers, especially Singapore tourists, who bought traditional Chinese cakes at home and this aroused interest in Singapore. Soon a Hong Kong agent started to sort out Choi Heong Yuen's almond cakes to send to Singapore, leading to both the rise of Choi Heong Yuen's profit and popularity outside of Macau. Aside from this, demand for Choi Heong Yuen's cakes increased as more Hong Kong tourists travelled to Macau due to STDM's establishment of big ferries which traveled between the two, then European colonies. With more Hong Kongers taking their products back home, their popularity of the products in Hong Kong bloomed. Choi Heong Yuen's business was pushed to another height in the 80s with the introduction of the 3-star system for Hong Kong identity card holders. The system allowed Hong Kong permanent citizens to travel to Macau using their ID cards instead of stamping their passports. This caused even more Hong Kong people to travel to Macau more often. However, Choi

Heong Yuen was still running one small shop until the mid-90s. It was after the third generation business leader, Alan Wong, came back to Macau upon completion of his studies in the United States that the second shop was opened.

When Alan came back to Macau in 1993, his parents urged him to help in the family business. Seeing that the business had been run in a very traditional way for almost 60 years, carried on from his grandfather to his parents, Alan didn't think there were anything he could help with. During the 90s, Choi Heong Yuen's staff were still using the abacus at the cashier, and bonuses were decided by subjective individual evaluation according to how well Alan's parents thought each staff performed, not to mention holidays and leaves that were individually discussed between staff and Alan's mother, as they had, and still have, a very close relationship. So, with a degree in Accounting, Alan offered to work on a new accounting and payroll system that would be less time consuming for his parents. That was also the time when business started to quiet down as Hong Kong people were busy immigrating overseas before the 1997 handover. Noticing that their shop was not ideally located, and business was mostly depended on returned customers or travelers who came looking for their shop as a result of word of mouth, Alan suggested opening a branch on the main street to target more walk-in customers. So, Choi Heong Yuen's first branch was opened in 1997 on San Ma Lo, the busiest street in Macau. Although the new shop successfully attracted walk-in customers who may not have

heard of Choi Heong Yuen, the business was not ideal. Between 1997 and Macau's handover in 1999, due to the bad public security in Macau with a number of unsolved murder cases resulted from gangs battle, the fear of violence has stopped Hong Kong tourists from coming to Macau, so most businesses were down by a large percentage.⁸ Choi Heong Yuen's revenue in 1999 was only 20% of the usual annual turnover.

However, the bad economy had caused an important turning point for the traditional bakery. Being aware that they could no longer depend on business from Hong Kong visitors, using his time in hand during this quiet period, Alan started sourcing for export opportunities. With the help of his sister who was still in America, and with the then new technology, the Internet, Alan started contacting importers in the United States. The tastes of Choi Heong Yuen's products received good feedback from potential importers, however, Alan were told that their products did not meet the criteria for export. Firstly, they lack a consistent brand image, as they merely drew different pictures on the boxes of different products before, there weren't a standard logo or packaging. Secondly, their products lacked the information required by the United States (and many other countries) such as net weight and nutrition values. Therefore, during the period when business were low, Alan focused on brand building, investing 1 million patacas to hire a design company

⁸ Source from: CNN World News May 16,1997 <http://edition.cnn.com/WORLD/9705/16/macau.gangsters/>

from Hong Kong to design their trademark, then Alan also standardized the design of their product packaging and even shop layout. In terms of management, Alan started documenting procedures, systematized workflow, setting positions within the shops, having a shop manager to take care of the operations and writing job descriptions, which then become very useful as the number of shops increased. All these work done during the couple years of economic slowdown in Macau, and paved the way to success in the new century to come.

As a pioneer in brand building in Macau, Choi Heong Yeun's investment paid off when they gained international recognition, from the beginning of the 21st century, when business started to recover together with the public security in Macau, so more visitors started to identify the Choi Heong Yeun's brand, and importers from different countries also started approaching Choi Heong Yeun. Soon, they needed another shop, and their 3rd branch at Macau's landmark, the Ruins of St. Paul area was opened in 2002. In the same year, Alan Wong was awarded the 'Order of Merit for Tourism' by the Chief Executive of Macau Special Administrative Region⁹.

Business at the new shop was fine during the first year, but the economy of Macau faced another hit in early 2003 due to the spreading of SARS (Severe acute respiratory syndrome), when

⁹ According to the Macau SAR Government's Official Bulletin **BOLETIM OFICIAL - I SÉRIE**
<http://bo.io.gov.mo/bo/i/2002/51/ordem49.asp>

the number of tourists to Macau again plummeted. Luckily, this was only for a short period of time. In July 2003, in order to help Macau's economy to recover from the SARS crisis, the government of the People's Republic of China loosened the visa application for individual travelers from Mainland China to visit Macau, as a result, business at Choi Heong Yuen soared because of the popularity of their products among Mainland Chinese visitors.

Then with the opening of new casinos in Macau from 2004, the number of tourists coming to Macau has enjoyed a year-on-year increase, leading to the significant increase of revenue for tourism related businesses, like the souvenir bakeries. The 4th and 5th branch of Choi Heong Yuen were then opened in 2004 in prime locations: inside the New Yaohan department store (a popular shopping destination among Mainland tourists) and on Rua da Cunha in Taipa (the souvenir street of Macau with many traditional Chinese bakeries) respectively, followed by shops inside casino resorts and other tourist destinations. By 2014, Choi Heong Yuen already had 13 shops around Macau. Even the global financial crisis in 2008 had no impact on Choi Heong Yuen's business, thanks to the trend which had started years ago that visitors to Macau have to buy traditional Chinese cakes and cookies as souvenirs to take back to their hometown. Especially when Choi Heong Yuen's brand was already widely recognized as part of Macau's culture.

As the economy of Macau kept going on with more and more casinos opening up, the future plan of Choi Heong Yuen is to open more branches inside these casinos resort to enhance their presence in the tourism industry. At the same time, with the serious inflation issue in Macau, and rent sky-rocketing, the third generation owner is going to re-evaluate the business of each shop, and may close down a few if rent will be too high in order to consolidate resources to buy some of the shops at the more successful locations instead.

4.2.3 THE INCUMBENT AND THE FOUNDER

When Choi Heong Yuen was opened in 1935, the founder Wong Kit Bun did not have much ambition and probably never thought his small snack shop would one day become one of Macau's biggest souvenir shops and one of the most well-known brands. As an immigrant from Zhongshan, like many other early immigrants in the 20th century, Wong Kit Bun opened a shop to make a living. With his sister baking in traditional Chinese bakeries, they had been selling to travellers boarding boats to Hong Kong for years. Until his son, 2nd generation business leader (the Incumbent), Wong Wing Cheong (hereto referred to as Mr Wong), took over in 1958, at the age of 20, Choi Heong Yuen was still a small shop surviving on sales to travellers between Hong Kong and Macau.

Being the only one of three brothers in Macau, Wong Wing Cheong had no choice but to take over the family business.

He managed the business in a very traditional way, continuing what his father did for some years. Then, towards the end of the 1960s, business began to improve, as travellers started buying more Chinese cakes, not just for the boat ride, but to take home for family and friends, beginning the trend of bringing home traditional bakeries as souvenirs from Macau. The name of Choi Heong Yuen became more well-known as the Incumbent's wife Leong Sau Cheng (Mrs Wong), who has always been interested in studying different ways of cooking, created the one and only charcoal-baked almond cake, the star product of Choi Heong Yuen until now. Moreover, both Mr and Mrs Wong had taken product quality very seriously. From insisting on using whole almonds in their almond cakes instead of powdered almonds, to investing in an automatic packaging line from Japan which replaced packaging by hand, thus improving sanitation in the production process, the business couple didn't mind suffering higher costs as long as they could produce high quality products. High quality and innovative products has since been one of the keys to the success of Choi Heong Yuen.

Although Mr Wong was the original second generation business leader, he and his wife cannot be separated when talking about the leadership of Choi Heong Yuen. To all their staff and even to people in the industry¹⁰, they had been recognised as the leader of Choi Heong Yuen together until their son Alan took

¹⁰ According to informal interviews with front line staff and 'business neighbours' (owners of SMEs used to work in the same building of Choi Heong Yuen's offices

over at the end of the century. In fact, while Mr Wong had focused on maintaining high quality products and production, Mrs Wong were more active in the day to day management of the business and staff. She would talk to each of her staff everyday about the business and about their families, treating the company or the shop as an extended part of her family. Mr and Mrs Wong used to close down the shop during lunch time and have lunch with all the staff together every day, and whenever a staff had family problems or a sick family member, Mrs Wong would encourage the staff to go home. When the company had difficulty or was in emergency, all 20 staff then, were willing to exert all their effort to help the company get through the difficult times. These strong family values and closeness within the company still carry on until now. Even with hundreds of employees, Mrs Wong, who is already retired, still visits the factory and bakeries from time to time to communicate with her staff, and she still maintains very tight relationships especially with the more senior staff. Many shop managers who are running the different branches now have been with Choi Heong Yuen for a long time.

This tradition within the company, the family-like relationship, has been carried on even after the rapid expansion of the Choi Heong Yuen, and is valued by the current business leader, as it helps maintain a shared value and common goal among all staff, which are important for managing so many branches and ensuring both product and service quality are up to standard. For Mr Wong and Mrs Wong, the most important thing about running their business is, (According to Alan), “to ensure

high quality product and service experience which contributes to the good image of Macau”. This value is echoed and upheld by the third generation leader Alan, and is shared by all staff, as well as being recognized by the local government and industry, from the many tourism and branding related awards the company has received.

Already retired from managing the company, Mr and Mrs Wong are still the owners of the business, but they are already hands off with the business, leaving it all to their son, Alan Wong, although Mrs Wong still actively visits and communicates with employees from time to time.

4.2.4 THE SUCCESSOR

The managing director of Choi Heong Yuen, Alan Wong, is third child among seven brothers and sisters. Born and educated in Macau until junior high school, Form 4, Alan completed high school and his University degree in Los Angeles, in the U.S. After completing his degree in Accounting, Alan’s original plan was to stay in the United States on a practical training visa. However, his parents urged him to come home. Even after agreeing to come back to Macau, Alan’s plan was to work in one of the Big Four accounting firms, but soon he was convinced to help in the family business.

As soon as Alan joined the family business, he started working on a new accounting system to replace the traditional

abacus based calculations. Then, although not a marketing major, he recognized the importance of brand image, and started working on the corporate identity that shaped the Choi Heong Yuen as we know and see today.

Already retired from managing the company, Mr and Mrs Wong are still the owners of the business, but they are already hands off with the business, leaving it all to their son, Alan Wong, although Mrs Wong still actively visits and communicates with employees from time to time.

Currently the leader of the family business, Alan also has two younger sisters working in the company, one manages sales & marketing, and the other manages projects. Although Alan is the head of the firm, he didn't make all the decisions himself, instead he insisted on making decisions together. Whenever important decisions have to be made or problems have to be solved, Alan would sit down with his two sisters and a few key managers to look at the issues from different perspectives, as he believes that "different people have different skills, I may be stronger with numbers, but my sisters may understand what the employees think better". So they often share intelligence together, getting different opinions and look at issues from different perspectives in order to gain consensus. He understands that no matter what the decision would be in the end, it is important to ensure everyone contributed and shared their opinions, so even if they do not totally agree with the final decision, they know how it was made. As Alan puts it, "If there is no consensus, if one person doesn't understand the

decision, and refuse to take part in the action, we will not be able solve any issues”. This shared understanding and collective action has been an important value within Choi Heong Yuen for generations.

Even though Alan is very different from his parents in terms of management style, being more systematic and formal, which he needs to be for managing 13 outlets and numerous distribution channels around the world, he still has maintained the tight relationship his parents built with the employees. Although, unlike his mother, Alan admit he couldn't maintain closeness with every employee, he communicates closely with key managers, believing having a tight relationship with the key managers is very important to ensure that they all have the same values and goals. Therefore, he values face-to-face communication even if this causes a lot of time investment, he has made sure that he spends enough time communicating with his managers. Moreover, managers in Choi Heong Yuen are promoted from within, and Alan seldom hires skills externally. He believes that employees who have been with the company for a long time grow together with the company, and having this common experience is more important than having skills and knowledge from outside.

Aside from managing people, Alan also put a lot of focus in managing products, in order to “ensure high quality product and service experience which contributes to the good image of Macau”, the value succeeded from his parents, Alan often think from the point of view of the customers, making sure they had a

good experience buying and eating their products, so he spends time solving any problems customers may face, and monitors the firm's supply chain closely to ensure quality ingredients. Alan believes that Macau is a very small place, if anything is wrong with your business everyone would know very quickly. And these business values are not mere words according to evidence from the local tourism industry, that suggests Choi Heong Yuen is known not only for the quality of their products, but also in their employees interpersonal skills. According to local tour guides who have to take tourists souvenir shopping everyday, they prefer taking their groups of tourists to Choi Heong Yuen because "they are more efficient, less bureaucratic, and it's easier to deal with the staff at Choi Heong Yuen". As a result, when they are buying Chinese bakeries for themselves or have friends visiting, they will go to Choi Heong Yuen.

4.2.5 THE SUCCESSION PROCESS

Alan joint the family business in 1993, before that, he didn't have formal participation in the business. But since he was small, he had helped with the packaging of cakes in the shop, and later helped with the cashier whenever he came back for holidays while he was studying in L.A. As a kid, he often went to the factory with his brothers and sisters, and his parents nurtured them to greet everyone in the factory individually, that's why Alan and his siblings have good relationships with all long-term staff. Also, the time Alan spent in the factory as a kid contributed to his understanding of the production process, although he was

not allowed to touch those equipment, watching the production work all the time he has had the process stuck in his memory. Moreover, Mr and Mrs Wong's conversation have often been about the business, such as small things about what's happening in the company, and this had been imprinted on Alan's mind, and it has helped him to know automatically what's good or bad for the company now, based on the idiosyncratic knowledge he has gained from his parents on what the family and business values.

When Alan came back from the United States, his father was already half retired and only participated in making big decisions, it was his mother who took care of the daily operations, and Alan took over the tasks bit by bit from his mother. In the beginning, he was placed in cashier, to be responsible for the money. To his parents, it's the most important position in a business, but to Alan, he thought he couldn't contribute much in the company in his first few years. His mother was on the phone every day in front of a big piece of paper with all the phone numbers of the suppliers written on it, making orders by herself, and Alan saw no way in assisting her in running operations. Then, he was convinced that they couldn't have everything only saved in his mother's mind, especially in 1997 when they opened the new shop, so he started documenting everything, with the help of a staff member he transferred from the old shop to the new. That was when he began to take over things, and it wasn't until around 2000, after 7 years in the business, that Alan finally managed to take over everything from his parents.

Although Alan had his own plan after graduating from college he agreed to come back to Macau to take over the family business because Choi Heong Yuen is valuable for his family. Not only because it's been in the family for two generations, but also because the small shop has supported all seven of his brothers and sisters through college, it has been part of their family, and they hope the company can have sustainable development. Although, the incumbents are technically retired, and not all brothers and sisters work in the family business, the family is highly involved in matters related to Choi Heong Yuen. It has been a ritual for the family to gather for dinner every Sunday, during which "all meetings are cancelled and everyone turns up" as Alan puts it. During these family gatherings, they discuss everything from family matters to small and big things happening at Choi Heong Yuen, for the business is part of the family, and the Wong's family values are replicated in their business.

During the time of the second generation, the business was small and the Wongs would close down business during lunch to eat together with all the staff, sharing what's happening at home and at work together. Although it is hard to do this now with a business of over 200 employees, Alan continues this tradition of communication with all the staff in a different way. According to the successor, twice a year he organizes staff dinner gathering in which they "close every shop early so every staff can rest and enjoy the gathering together" and during these gatherings, Alan informs all staff the company's plans and keep them posted on things happening at Choi Heong Yuen. That's why every staff

member at Choi Heong Yuen knows the direction the company is going, and shares in the joy of every award they gain and the good reputation of the business in Macau.

With the third generation in charge now, Choi Heong Yuen is profitable enough to go public, and people in the industry has asked Alan why he doesn't bring his company public, this Alan has also thought about. But he thinks going public is not their direction, as for almost 80 years, their company has been based in Macau, and his future plan is to continue to develop a stronger root in Macau. Also, they didn't need a large amount of money to develop big plans. As a family business, Alan thinks they have a strong foundation and traditional characteristics and he and his brothers and sisters all cherished their family business, and none of them have the urge to grow the business too fast, even if they have been invited to go public and ensuring them, with their strong brand name, they could get a high return very soon. However, they think that after going public, they will not only be responsible for their family, but to all shareholders. In the meantime, the family can contribute to the society in the way they wanted to even if it seems like a waste of money to others. For instance,官也墟 'Rua de Cunha Bazaar', a project which the family organized to offer chances for local artists to showcase their designs, was initiated because Choi Heong Yuen is a Macau brand, and they wanted to support local creations, but as a publicly-owned company, these kinds of small activities which bring in no profit to the company may not be accepted by shareholders.

For the next generation, Alan hope his children would be interested in taking over the family business, but wouldn't force them and would be happy as long as they have their own development.

4.2.6 CASE 2 FINDINGS

This part presents the findings from the case in relation to the propositions presented for this research.

Proposition 1: The practice of open communication and continuous family ritual enhances the FBs' identity for the successors, thus strengthening their family social capital

There is evidence of strong internal bond within the Wong family from the support Alan receives from his siblings outside Macau during the economic crisis in Macau to sort for external business connections. Also, according to Alan, they family treats Choi Heong Yuen like an heirloom and would rather see its sustainability than immense growth. Thus, I would say, this strong bond is a result of a strong identity that they are a family and Choi Heong Yuen is part of it. This strong identity could be traced back to the time when Alan and his siblings were kids, when they spend lots of time in the business and listening to their parents talk about the business. Especially during their Sunday dinner gatherings when the family openly discusses everything about the business, and even for those not working in Choi Heong Yuen who still are aware of everything going on in it. Even with

daily business matters, Alan involves his sisters and retired parents in decision making. Therefore, the case of Choi Heong Yuen showed evidence that the practice of family rituals, especially coupled with open communication about the family business matters, increases the involvement of family members which strengthens the family business identity, thus enhancing internal social capital for the successor.

Moreover, aside from the continuation of family ritual and open communication practice of the successor, the early introduction of the next generation into the business, in this case, helping with packaging and hanging out in the factory when Alan and his siblings were kids, enhances the family business identity of the third generation of the Wong business family. This early involvement could be one motivation for Alan to give up his own career plans and joining the family business in the first place.

Proposition 2: The practice of informal communication and organisation tradition enhances the successors' goodwill with and obligations of non-family employees

Although as a growing business of over 200 employees, it is hard for Alan to practice informal communication with his employees the way his parents used to, he diligently has maintained extensive face-to-face communication with key managers and involves them in brainstorming or decision making. Moreover, the organisational tradition of closing down business for lunch together in the shop, a tradition that strongly enhances

the goodwill between the successors' parents and employees, cannot be practiced now at 14 branches of Choi Heong Yuen. So, Alan has improvised and began a tradition of dinner gatherings for all staff twice a year (a Spring dinner and a Mid-Autumn dinner) where all the shops will be closed down in the afternoon so all staff could participate. Closing down all 14 branches for a night during peak travelling seasons could cost the company up to a million patacas in revenue. Therefore, this is appreciated by employees at Choi Heong Yuen, even front-line staff felt the loss for the company as one puts it, "the boss could have held the annual dinner on separate days and some of us can keep the shops open", but agreeing that from the employees' perspective, "of course it's better that we can all go to the annual dinner together, especially during working hours". These tradition of annual gatherings are appreciated by employees not merely because of the dinner, but it is a time for communication between the staff of the different branches, and for the business leaders to let all employees know about their plans and the happenings within the organisation.

These practices of communication and tradition at Choi Heong Yuen enhances the leaders' goodwill with the staff, and also the responsibilities as perceived by staff. As employees were involved in the decision making, they are more obliged to execute them. This has be understood early on by Alan, when he said that "If there is no consensus, if one person doesn't understand the decision, and refuses to take part in the action, we will not be able to solve any issues" therefore, by making sure all personnel are

involved and they are well communicated with and understood the decision of any action, they have more obligation to carry out the actions. Therefore, the investment of time in face-to-face communication and high and wide staff involvement tradition at Choi Heong Yuen, enhances the successors' goodwill with and obligations of non-family employees.

Proposition 3: Emphasis on shared value of the FBs strengthen trust among family members and non-family employees in the successors

The business value of the incumbents is to “ensure high quality product and service experience which contributes to the good image of Macau”, and their value of personal communication has been succeeded by the successor. He also succeeded his mother's value of personal communication, even though he was not a sociable person himself, Alan exerted effort in maintaining close connections with staff and clients alike. By passing the incumbents' values to the successor, they also passed on the trust that family and business members used to have in them to the successor. Especially when the values shared by the family focused on quality and are in-line with the development of their brand with Macau's tourism development, which creates also a collective goal for the CFB. The successor's emphasis in this value could reassure family and staff member of the direction the new leader take continues along the path towards their collective goal.

Proposition 4: Putting shared value into action enhances social trust and norms within the FBs

There has been evidence that people in the industry perceive Choi Heong Yuen as one that provides a high quality product and service according to the informal interviews with local tourist guides who prefers Choi Heong Yuen to other souvenir shops because of their trust in the firm's consistent high level of service and the quality of their products. Moreover, being identified as the 'tourism ambassador' of Macau by local media is also evidence of the social trust that enhances Choi Heong Yuen's social reputation. These proves that the values emphasized by the CFB are put into practice. Moreover, the focus on quality carried out by the incumbents and succeeded by the successor has also motivated staff to deliver the same level of diligence. As observed in a few different branches of Choi Heong Yuen, employees at this top local brand shop are highly aware of their service level, even at peak hours when it seems they could hardly handle the crowd, they are able to maintain high responsiveness and courtesy levels. Therefore, it could be deducted that by emphasizing the value of the CFB to all family members and staff, it creates a shared understanding and collective goal among members of the CFB. The fact that the CFB leaders diligently put their values into action, enhances the social trust they received from the industry, as proved from all the awards they were given. These recognitions strengthens the Choi Heong Yuen brand's reputation, and members within the CFBs shared these recognition, and thus, the shared value creates norms for the action of all staff when

delivering services to their customers.

Proposition 5: Encouraging next generations' social participation increases the successors' social network and relationships by enhancing their reputation

The social network of Mrs Wong is strong and this is known to almost everyone in the industry. When mentioned the name of Choi Heong Yuen to people in the neighborhood of the old Choi Heong Yuen shop, the response we get will be “Oh, I know Old Mrs Wong”. This supported what Alan said that his mother knows everyone in the neighborhood. And because everyone knows her, they know her hard work and her strong emphasis on quality products. Alan succeeded his mother's social reputation in a different way, through participating in associations. After Alan started managing his family business, the incumbents also encouraged their rather introverted son to establish his network. At first he was rather reluctant, Alan started joining some youth associations in the business sector, then he realized the importance of social networks because it helps him to understand how the society in Macau works. “These associations can work as the bridge between the government and SMEs” and they offered the successor opportunities to meet with more people of the same background. This network building is especially beneficial for Alan Wong, because of his good reputation of hard work and trustworthiness, and contributing to both the successor's and the CFB's relationship with the industry, banks and customers.

4.2.7 CASE 2 CONCLUSION ON SOCIAL CAPITAL SUCCESSION

The Wong family has very close relationships both within the family and with their staff as a result of strong communication, and the value of a common goal. Both in the family and in the business, whenever there is conflict they used to sit down together and each member explained their opinion and their individual value, but then the final decision will be made by the big boss, the elder Mr Wong. This is still practiced by Alan, although Mr and Mrs Wong are retired, whenever a big decision has to be made he would invite everyone in charge, both the family and non-family staff, to sit down and explain all their opinions, and Mr Wong would make the final decision, and this is valued by everyone because they all agree that each one may have different values and so look at a problem from different angles, but in the end, Mr Wong would make a decision that was the best for the company. This is a result of the collective goal within the family, and staff, to strive for a high quality product and provide a good experience to customers that could represent a good image of Macau.

Both internally and externally, Mrs Wong, who was the previous generation's business leader, has maintained good relationships with everyone. According to Alan, his mother seemed to know everything that's going on with everyone in the family, and among her staff, when Choi Heong Yuen was still a small shop. This created strong ties within the company, even now with hundreds of staff, the tie is still strong, the network ties were

already created so there's a strong family culture within the organisation. Although Alan is not a very sociable person, he can maintain the connection with frequent face-to-face communication with key employees knowing the importance of keeping shared value and goal among staff.

Also, the organisation has a tradition of two annual staff dinner gatherings at the Spring Festival and Mid-Autumn festival, which started from the previous generation. It started with only a few staff having dinner together in the shop, until now, with hundreds of staff, they still keep these gathering where all the shops will be closed for those two days so all the staff could participate. Even if this would affect business, Alan still keep doing it believing it is very important for the culture of their company. During these dinners, there are two goals, for the Spring gathering its mostly to entertain staff, and the post Mid-Autumn dinner gathering, usually during the peak season during the business, where all the factory and shops are very busy, so it's more for rewarding staff and setting certain awards for the staff.

For industry network, Mrs Wong has been establishing the network through product quality, their word of mouth has helped them established the company's image. Then, its been easier to build up personal network, because Mrs Wong knew everyone on their street and so she has maintained a close network with the community. Now, as the society changes, people are not as close, but Alanhas understood the importance of personal touch, so he still spends time to maintain face-to-face communication with the

industry, with suppliers and clients. Trying to meet them at least a few times a year, believing that with fewer meetings, relationships will become more distant, so it's important to let suppliers and clients know their value and direction. Alan has also participated in many associations, and for him, these associations have helped him to understand Macau better, they have also offered space to small businesses to participate in community service and keep them updated with the latest news in the industry. These associations have also bridged communication between small businesses and the government.

The reputation of Choi Heong Yuen in the society can be verified with banks knocking on their door offering loans for their development when the family didn't ask the bank. They also never have problems with their suppliers, even for newer ones, so they have never needed a probation period before being offered a credit line.

As for their social image, Alan thinks that Choi Heong Yuen is known as a family business and so its image is not as commercial as their competitors. For their family, Alan expressed that all family members just wanted Choi Heong Yuen to develop steadily and for the long-term rather than hoping for making lots of money. The central belief is that they hope their own development could contribute to the tourism industry of Macau, and they consider themselves as a very Macau business.

4.3 CASE 3 - VANG KEI HONG TRADING CO. LTD. 宏基行有限公司

4.3.1 INTRODUCTION

Vang Kei Hong started as a small convenience shop and distributor of food products in 1975, and in about 40 years, it has expanded into one of the major suppliers of food and beverages in Macau, importing international brands of wine and food products into Macau and Mainland China. They are known as one of the region's most active importers and distributors¹¹. They also have a chain of restaurants, noodle shops and supermarkets, all under their holding company Vang Kei Hong Group Limited.

Vang Kei Hong Group Limited was set up on 29 December 2010, on the 35th anniversary of Vang Kei Hong Trading Co. Ltd., as a holding company that includes Vang Kei Hong Trading Co. Ltd., and two other trading companies 天虹食品公司 and 燁力貿易發展有限公司, which were set up to handle different brands of food products that Vang Kei Hong could not acquire due to exclusivity agreements with competing brands. Vang Kei Hong also expanded to Shanghai in 2012 under the trading company 宏葡(上海)貿易有限公司. Aside from the trading companies, the holding company also owns a supermarket chain Vang Kei Supermarket Co. Ltd. and an ice-cream manufacturing firm Kai Kong Ice-cream Manufacturing (啟光雪糕廠). They

¹¹ According to Grocery Trade Magazine (July, 2012) Issue 7

acquired the ice-cream manufacturing firm because the manufacturer's next generation was not interested in taking over. They also own a few F&B outlets, *Tam Chai Yu Chun Seafood Restaurant* 丞仔漁村 and *Shun Tek Keong Seafood Restaurant* 順德公海鮮飯店 which Ip acquired from relatives during an economic crises, as well as *Fong Seng Chu Kei Noodle Shop* 鳳城珠記 which Ip's father founded. Therefore Ip Sio Man is the second generation owner.

Ip's vision for his F&B empire, shared by his son, Vincent Ip, is to increase the variety of food choices for people in Macau and enhance the quality of food products. Therefore, aside from working hard to source quality brands of food and beverages from all over the world, the entrepreneur and his successor have actively participated in the community, collaborating with the government to maintain the quality of food safety, and sharing their knowledge and connections with local SMEs, in order to enhance the overall standard of food supply in Macau.

4.3.2 BEGINNING AND GROWTH

Vang Kei Hong was founded in 1975 by a few young friends, including the current Managing Director, Ip Sio Man. In 1975, Ip's former classmate was approached by a representative of the Red Bull brand in Hong Kong about his interest in distributing Red Bull products for the Hong Kong agency in Macau. After several attempts at starting his own business, Ip did not decide for long before joining his friends to open a small

convenience store in the residential area of Rua Do Dispo Medeiros in Macau. This store, was named Vang Kei Hong, was the beginning of Vang Kei Hong Trading Co. Ltd. and later Vang Kei Hong Group Limited.

Vang Kei Hong started as the distributor for the agent of Red Bull in Hong Kong and also as a convenience store, distributing Red Bull products to different small shops and supermarkets in Macau. Soon they expanded into other brands, and as a bank loan was not a consideration for financing a small venture like Vang Kei Hong then, Ip invited friends, relatives and even employees with experience in the trading business to invest in his firm. In 1986, Vang Kei Hong was officially registered as Vang Kei Hong Trading Co. Ltd., at its height, with over ten investors, most of whom sold their shares back to Ip during the economic crisis caused by the SARs outbreak.

After becoming an official trading company, Vang Kei Hong expanded quickly, distributing different brands of wine, food and beverages, frozen food and daily necessities to most supermarkets and F&B retail outlets in Macau. But then, Macau being a small market, Vang Kei Hong depended on importers in Hong Kong to supply them with products from different countries. Ip also had investments in different businesses at the time, and Vang Kei Hong was not yet a major investment until after 1997. The 1997 Hong Kong handover which affected many companies due to the uncertainty facing the future of a Special Administrative Region.

However, it did not affect the business of Vang Kei Hong much. As a result, Ip strengthened his investment in the trading company as he realised that food distribution is needed in all kinds of economies, and this business will always be stable.

Then, before Macau's handover in 1999, the disastrous public security in Macau created fear in visitors were fearful of coming to Macau. At the same time, it also caused fewer residents to go out. Many foods and beverages outlets suffered severe losses then, including *Tam Chai Yu Chun Seafood Restaurant* 氹仔漁村 and *Shun Tek Keong Seafood Restaurant* 順德公海鮮飯店 which had been owned by the previous generation of Ip's family. In order to help out his relatives, Ip acquired all these restaurants. The debt he bore affected the cash flow of Vang Kei Hong as well as *Fong Seng Chu Kei Noodle Shop* 鳳城珠記麵家 (the noodle shop which belonged to Ip's father and was already owned then by Ip then). However, after the handover of Macau, the economy recovered, and so did the business of his restaurant group. The decision to take over these restaurants was significant to the further expansion of Vang Kei Hong as it allowed the trading company to import the products they could supply to these restaurants, lowering the product cost for the trading company as well as the cost for the restaurants.

Another big challenge facing Vang Kei Hong came in 2003, during the SARS period when their Hong Kong distributors faced a business crisis. In order to help out one distributor, Ip took a large order of one of the brands imported by the Hong Kong

agency. As the economy was bad, the agency could not sell out the inventory, so their distributor lost that brand, causing Vang Kei Hong to lose the brand as well, and with the large amount of inventory they were not able to place more orders. As a result, they lost the distribution authority for some other brands, leading to a great loss in their business. During that time, many of Vang Kei Hong's investors cashed out, and so Ip bought their shares, and although already the biggest shareholder, Ip then became the majority shareholder of Vang Kei Hong Trading Co. Ltd.

As a result of this disaster, Ip realised they could not solely depend on re-distributors from Hong Kong, so he started sourcing products from different places around the world. Together with his son Vincent Ip, who came back in the middle of his studies in Australia due to the SARs outbreak to help in the family business managing Vang Kei Hong Trading Co. Ltd., they began by importing Portuguese wine directly from Portugal, then expanded their supplies of different kinds of food and beverages from countries in Europe, America and South East Asia. The beginning was difficult because Macau was a very small market. Vang Kei Hong could not negotiate with suppliers in terms of quantity, so Vincent started to create value for suppliers by helping them build their brand in Macau. Instead of depending on nationwide publicity of international brands for people in Macau to know them, Vincent offered to import less known brands into Macau and promote them through Vang Kei Hong by joint promotion with banks' credit cards and other local advertisers. This effort helped the trading company to gain interest from brands that

wanted to enter the Chinese market and expand their portfolio of direct imports. Since then, Vang Kei Hong has successfully marketed several new brands in Macau, some not even known in Hong Kong. They could choose products that fitted the Macau market and promote them locally without depending on Hong Kong's importers and promotion.

This direct import business forced Vang Kei Hong Trading Co. Ltd. to expand their market into the Mainland and Hong Kong because of the large number of products they needed to bear. Although this caused the company more pressure on sales, especially for perishable food products which needed to be distributed right away, it gave them more control in managing their brands as it prevented the problems of failure in Hong Kong's agents, which had previously caused them to lose certain brands and in turn affected Vang Kei Hong's portfolio. In the beginning, the trading company imported 20% of their products directly, while the majority still needed to go through agencies in Hong Kong. By 2014, less than 30% of their products were ordered from Hong Kong's agencies; and most of their portfolio is direct imports.

2005 was another turning point for Vang Kei Hong. Order quantity was not a problem anymore. In fact, they faced another challenge, such as product shortage and increased workloads. After the opening of the Sands Casino in 2004, the economy of Macau increased tremendously. As Vang Kei Hong has been supplying all the resorts and casinos in Macau, the beginning was

quite hectic for them. *“Take the distribution of individually packed butter, for instance; the consumption for just the opening of Sands Casino was more than a whole year’s order from a local hotel before,”* Vincent recalled. And aside from a short shortage of some regularly used products, Vang Kei Hong also faced the challenge of developing a more systematic delivery system. Before 2005, orders to supermarkets and F&B outlets could be delivered by scooters, and the receivers would merely sign an invoice upon delivery. However, with large orders made by casino resorts with very formal procurement procedures, Vang Kei Hong needed to invest in large delivery trucks and some specialized trucks for frozen food. Also, they needed an updated delivery and inventory control system. On top of that, these resorts needed to open tender for potential suppliers to bid for their business, and not having this kind of experience, the second generation manager of Vang Kei Hong, Vincent, had to design new systems of procedures with formal quotations and systems to meet the requirement of these new clients.

Then, as the workload soared in the company, they faced another problem with human resources. As more casino resorts were opened up after 2005, the demand for human resources increased seriously, and the market rate for administrative staff rose by over 30%. Yet, even if the company was willing to pay a higher salary, it was still hard to hire staff. So during those first couple of years of the economic boom in Macau, although revenue for Vang Kei Hong was up by over 50%, there was not much effect on net profit as costs also increased significantly.

Additionally, as the casino resorts kept opening, Vincent admitted he had no time to stop and plan anything. Between 2005 and 2007, many small suppliers in Macau had to close down because they could not cope with the growth in the industry. Either they lacked human resources or they could not bear the cost needed for the growth period.

It was only until the global financial crisis in 2008, when business slowed down, that Vincent could take care of internal arrangements like replacing staff and hardware in the company and improving the management procedures. The financial crisis did not affect Vang Kei Hong much profit-wise, as they were already financially quite strong and had a diversified clientele, so even when business at the Venetian Resort was affected, causing some of their suppliers in Hong Kong to close down, Vang Kei Hong was still standing. And as the economy recovered, operations at Vang Kei Hong became smoother as they had time to strengthen their internal management. In 2010, Vang Kei Hong was signed up to be the main distributor for the German雷巴哈天然礦泉水 and 佛倫斯堡啤酒 being the first distributor in Macau responsible for distribution in Hong Kong and Macau for an international brand¹² (usually the main distributor would be in Hong Kong due to the larger market compared to Macau). This shows the reputation and extensive network of Vang Kei Hong being perceived by international firms since the beginning of this decade.

¹² Wen Wei Po (19 September 2010) <http://paper.wenweipo.com/2010/09/19/YA1009190023.htm>

So, the next step for Vang Kei Hong was to get into the Mainland Chinese market. In 2012 they signed a contract with the renowned Singaporean corporation Food Empire Holdings, which gave Vang Kei Hong exclusive distribution rights of the corporations' major coffee brands in Macau, Hong Kong and Mainland China. And the reason Vang Kei Hong was chosen as the sole distributor was due to its presence in major China cities, including having subsidiaries in Hong Kong, Shun Tek and Guangzhou¹³. In the same year, Vang Kei Hong opened a branch in Shanghai, and started importing wine and food from Portuguese-speaking countries, and has developed a good relationship with the Shanghai government and the industry since. This was due to their involvement in the F&B retail industry in the city. Aside from expanding the distribution of their products in Shanghai, they also helped their contract retailers in Shanghai to find international distributors.

Besides, Vang Kei Hong has also collaborated with the Macau government using their industry experience and connections to help with business matching activities between enterprises in Mainland China and Portuguese-speaking countries, for instance. They have assisted the Macau government in setting up a showroom in Shanghai for both Chinese enterprises and international brands to exhibit their products. Their collaboration with the government has enhanced Vang Kei Hong's identity and reputation in Shanghai and created an

¹³ Grocery Trade Magazine (July, 2012) Issue 7

opportunity for the company to gain more business connections. Due to their reputation, they could open distribution accounts with international brands such as Lawson at a much lower cost than Lawson's other distributors. As Vang Kei Hong has already been in business with many companies worldwide, they were the agent to many international brands, which had been hard for agents in Mainland China to gain. Therefore, Vang Kei Hong planned to expand their business in China further.

At the same time, as supermarkets in Macau are getting bigger, they have their own distribution channels, so it became harder for Vang Kei Hong to increase their distribution to the local supermarkets, therefore, they will be focusing more on expanding their own F&B outlets. They are planning to open the 5th branch of *Fong Seng Chu Kei Noodle Shop* and a 3rd *Tam Chai Yu Chun Seafood Restaurant*, as well as acquiring another restaurant chain. This offers Vang Kei Hong a higher bargaining power with suppliers as they have been able to buy in bulk the products that can be consumed by their F&B outlets, for instance, oil that can be used by every restaurant.

4.3.3 THE INCUMBENT

Ip Sio Man is actually a second generation family business owner of Fong Seng Chu Kei Noodle Shop which his father started in the 1950s, however, being an enterprising individual, Ip wasn't complacent with running a small noodle shop, so he set off to develop his own enterprise and later took over his father's

shop, as well as a group of restaurants owned by his father's generation's relatives under his roof, Vang Kei Hong Group Limited.

After Ip's father passed away when he was 11 years old, his mother took care of their family's noodle shop which didn't bring in much income for the family. So the family had to struggle for Ip to finish high school. After he graduated, Ip tried out different jobs including being a cashier in the restaurant, and a journalist for two local Chinese newspapers. Ip is also a licensed surveyor. Then he helped his mother to run their noodle shop for a short while, before he attempted in setting up his own business. In 1975, when he was approached by a high school friend who was invited to distribute the Red Bull brand in Macau, so together with a few friends, Ip opened a small convenience store Vang Kei Hong. Over the years, as his friends pulled out from the business during quite a few challenging times, Ip acquired more shares and became the majority shareholder of Vang Kei Hong, which he developed from a small shop to the major importer in Macau. Then from Vang Kei Hong Trading Co. Ltd., to Vang Kei Hong Group which is the holding company for a few trading companies, a supermarket, and a few food and beverages outlets.

As the owner of a number of businesses, Ip's strength has been in the overall strategic view instead of actual management. According to his son who is currently managing Vang Kei Hong Trading Co. Ltd., Ip does not focus on managing one firm, rather, he sees the big picture and provides vision and strategic direction.

In order for Ip to do this he needs to place a lot of trust in his employees, who manages the different companies under his group for him. Ip's leadership style had been very traditional Chinese, the paternalistic style, in which he made all the decisions, but keep a very close tie with his employees whom he placed a great deal of trust, and treats them like an extended family.

Ip's main ambition in running his trading companies and F&B outlets has been to bring in more brands to Macau because he had observed that Macau's market is very small, and compared to Hong Kong, there were not many choices in the local supermarket last century. Therefore, he wanted to bring in more products so people in Macau can try different food from all over the world. Aside from variety, Ip also values the quality of food, and for years, he has been working with the government, and advising on food safety. Ip's ambition in bringing more variety and higher quality food to Macau isn't just limited to his own company, he wanted local SMEs to have a wider variety of food products to offer as well, therefore, he has been collaborating with the government to provide the contacts of international suppliers, or information of food festivals or exhibitions in other countries, to local firms. Even though his son didn't agree to this at first, considering this giving away opportunities to competitors, Ip insisted on contributing from what they are strong in to benefit the whole community. As the president of the Macau's Suppliers Association, Ip has often been interviewed and asked for advice in relation to food imports issues in Macau.

Ip had also been known to help other businesses, aside from acquiring failing restaurants from his relatives, a few years ago he had also acquired an ice-cream manufacturer of a traditional local brand a few years ago because the next generation of the ice-cream manufacturer weren't interested in continuing the family business.

Ip's participation in the community started long before his business success. From early on, he had actively participated in many different associations, in fact, this had enhanced his social status and contributed to his trustworthiness in the society as more people recognized him. He first started with joining some small commercial associations, then after establishing his own network and reputation in the society, he was invited to participate in some larger major associations.

According to Vincent, his father's reputation in the society has contributed to his businesses in different ways. Firstly, business associates and potential business partners place more trust in him. Then, it also gave them more credentials when dealing with the banks for commercial loans. Also, when they negotiate about renting offices or shops for their business they do not need to pay advance deposits. Therefore, aside from his own social involvement, Ip often encourages his son to participate in local associations to establish his network connections and to contribute to the society.

4.3.4 THE SUCCESSOR

Vincent Ip, currently the Manager of Vang Kei Hong Trading Co. Ltd. and a Director of Vang Kei Hong Group Ltd., joined the family business in 2004, at the age of 20. While Vincent was in the middle of his college studies in Australia, SARs broke out in many places and he went home to Macau for his internship. It was the time when many companies in Hong Kong and Macau were facing difficulties including suppliers of Vang Kei Hong from Hong Kong, so Vincent stayed in Macau to help in his father's company where he started from the bottom level dealing with inventory and administrative work, and gained experience in different departments. However, his involvement in Vang Kei Hong had started long before as a child.

When Vincent was still in primary school he had already started selling snacks for his father's trading company and supermarket to his schoolmates, and he also would keep track of new products being sold in other supermarkets. His relationships with his father's business associates also started early as Ip would often bring Vincent and the family with him to gatherings with his business associates who would bring along their family too. Therefore, it didn't take long for Vincent to become hands on with managing Vang Kei Hong after he came home from Australia.

When Vincent first started at Vang Kei Hong, his father used to make all the main decisions, including which products they choose to distribute. Now, Ip would sit down with his son

and a couple of key managers to discuss major business issues and Vincent has been making most of the decisions. Especially in terms of sourcing and choosing products, Vincent is the main decision maker, and Ip's role is more like an advisor. Traditionally, for distributors in Macau, all decisions are made by the boss, especially when it involves the choosing of brands to distribute. Therefore, passing on this important decision making role to Vincent is an important step in his succession process.

While Mr Ip's leadership lies more in looking at the general direction of his business and in strategy making, leaving actual management work to his trusted employees, Vincent is more hands on and applied more scientific management into the company. For instance, when he first started managing Vang Kei Hong, he systematized the marketing department and the human resources department, as he had experience working in the different departments from a lower level so he understood their problems. That could also be because Ip haven't been involved in the daily operations or making sales himself for over 20 years now, and Vincent is still involved in the sales team, so he is more in touch with the operations of Vang Kei Hong.

Another thing Vincent considered was very different between him and his father, was in social skills. Ip had been able to form strong ties with all this staff, having informal gathering often. Although not good at socializing himself, Vincent saw the importance of maintaining the closeness among staff, so he follows his father's footsteps in socializing with and entertaining

his employees more often. As it is important to keep staff up to date with the direction of the company and to share the values of the firm.

Externally, Vincent was unlike his father too in terms of developing community connections. At first, Vincent wasn't involved with the community when he joint the business, especially when it came to sharing their knowledge and suppliers' connections with the community. "At first, I didn't agree to giving our contact of the Thai food festival in Thailand to the government who would pass it on to other companies in Macau, because it was from this food festival that we met one of our biggest brands, it's like giving away our opportunities," Vincent recalled. But he was affected by his father and not only is he willing to share his company's contacts with the industry now, he has also participated in many associations and become as involved in the community as his father is.

"At first I didn't want to join these associations, but dad encouraged me to join one for young business people which he was a member of. He believed this could help me meet more people and learn more from others." After Vincent started joining the association, he met lots of similar business people and second generation business owners, and as he made more friends he started to participate more. Now, Vincent has many associations under his belt, and he believes that these also serve as channels to sound ones' own ideas as a youth. Moreover, he has got other business investment opportunities with young business people he

met through these associations. He has also treasured the chance to share his own experience with local young people, he especially wanted to encourage young people to think about their future. According to Vincent, aside from bringing in a wider variety of brands of food into Macau to allow locals to expand their tastes and choices, he also want to open the eyes of the young people.

For Vincent, there are advantages and disadvantages for family business in the trading industry. One advantage for them is the better efficiency in decision making, being a family, they can decide on which brands to procure and what opportunities to take right away without going through many procedures and decision process. This explains why Vang Kei Hong has often been the first to bring in to Macau new brands of food that hadn't been heard of, for instance the Tao Kae Noi crispy seaweed, which has become a popular snack selling all over Macau now. However, the disadvantage for a family business in the trading industry is the difficulty in hiring managers if the next generation failed to take over. As with the case of *Kai Kong Ice-cream Manufacturing* (啟光雪糕廠), Vincent's father took over the firm because they had been in business for a long time, and the owner had to sell out or close down the company because there were no successor.

4.3.5 THE SUCCESSION PROCESS

Vincent Ip joint Vang Kei Hong Trading Co. Ltd. in 2004 at the age of 20, and his participation in the family business was

due to his own interest. Not willing to work for others as an employee, Vincent, an Economic and Finance major analysed that the best place to start up and build ones' business is in Macau where the commercial tax is low. Building from this mindset, Vincent admitted that taking over his family's trading business seemed an interesting challenge, and as he and his family considered Vang Kei Hong an identity of their whole family, he made up his mind to come back to Macau and begin the process of succeeding to his father's empire before finishing college.

Vincent's parents haven't had any systematic planning for their successor, but the succession process seemed to be automatic. Although Vincent officially started working in Vang Kei Hong only in 2004, his involvement in the company started from childhood. Even in primary school, Vincent was a sales representative for his family's firm, actively selling snacks from his family's trading company and supermarket to his classmates. He had also created a habit of checking out the competition. As a child, Vincent was already used to keeping track on what's new in other supermarkets and report to his parents. He was also aware of what was going on in the family's company because his father sometimes brought the family with him to business meetings or gatherings when other business associates would bring their family too. Moreover, their family and business had never really been separated. It had been a ritual for the whole family to have dinner together every Sunday, everyone including Vincent and his elder sister (the only one not involved in Vang Kei Hong's business), Mr Ip (the founder and retiring boss), Mrs Ip (Vice-

General Manager of Vang Kei Hong) and Vincent's grandmother, old Mrs Ip (who is still involve in running Chu Kei noodle shop in her 90s). During these gatherings, the family talks about everything, mainly what's happening in the business, so Vincent has been well informed of what's going on even as a child and significantly how his parents make business decisions.

When Vincent was a teenager, his mother, who has been responsible for the company's administrative work were already showing and explaining to him some work documents to let him get in touch with what's going on in the company. Therefore, when Vincent started working in Vang Kei Hong Trading Co. Ltd. in 2004 he wasn't new to the business. What he needed was practical experience in the company, and after working in different departments at the lower level, he was officially appointed as the manager of Vang Kei Hong Trading Co. Ltd. in 2009. It then took him about 2 years to establish his authority as his parents slowly withdrew from the management of Vang Kei Hong. Currently, Vincent is the leader and decision maker of Vang Kei Hong Trading Co. Ltd. while his father was still involved in the overall strategic planning of all other businesses under the holding company Vang kei Hong Group Limited.

The succession process was generally smooth according to Vincent, but it took some time for him to establish his authority because staff were used to Mr Ip making all the decisions before. When Vincent became the manager, the company's decisions was made through meetings between father and son and some key

managers, however, final decisions were still made by Mr Ip. Another difficulty for Vincent to actually manage the firm was because employees and other stakeholders would still prefer talking directly with Mr Ip even though Vincent was the manager. So, although the name 'Ip' helped Vincent to quickly get acceptance for his managerial position, it was also a hindrance for his decision-making authority to be recognized. 'Especially when the boss (Vincent's reference to his father) vetoed my decisions after it had been made,' Vincent recalled. 'It was frustrating, so I talked to my dad, and he finally stopped vetoing any decisions I made and was hands off from the business at Vang Kei Hong Trading Co. Ltd.' It took about two years for Mr Ip to fully pass on decision making authority to Vincent, and then the staff started recognising Vincent as the leader of the trading company instead of his father.

Traditionally, for distributors in Macau, all decisions were made by the boss, especially the choosing of brands to market, so the complete authority of deciding what products and brands to import would imply a complete succession in management, even though ownership of the firm hasn't been passed on to Vincent yet.

4.3.6 CASE 3 FINDINGS

This part presents the findings from the case in relation to the propositions presented for this research.

Proposition 1: The practice of open communication and continuous family ritual enhances the FBs' identity for the successors, thus strengthening their family social capital

The successor in this case admitted that the Vang Kei Hong has always been part of the family. The family members are always busy, and it has been a ritual for all members to not make any appointments on Sunday night and the whole family would dine together, where they would discuss everything about the family. However, according to the successor, the family topics have generally been about their CFB, and even since he was a kid, he was part of Vang Kei Hong. As his parents had never tried to separate the family and the business, Vincent and his sister have been exposed to business decisions, and for Vincent, even the company's documents that his mother would showed him, since he has memory. Not only were his parents openly discussion business matters at home and during family gatherings, Mr Ip would take the family with him to gatherings with business associates, so most stakeholders already knew Vincent before he was made manager Vang Kei Hong Trading Co. Ltd.

Through these open communication within the family, and the continuous ritual of all three generations of the Ip family (including Vincent's grandmother who is still involved in the family's noodle shop) every Sunday, the sharing of what's been happening within the CFB, and together with the early involvement of the successor, Vincent is not only strongly identified with the CFB, which he considered as part of his

family's identity, he was also strongly recognized as part of CFB by stakeholders of Vang Kei Hong.

Proposition 2: The practice of informal communication and organisation tradition enhances the successors' goodwill with and obligations of non-family employees

Many key managers in Vang Kei Hong has been with the Ip family since Vincent was still a kid, and they have been empowered to make decisions in terms of human resources and other management issues, mostly, only financial issues have gone through the CFB leader. Most decisions are made through informal chatting with the boss, and this informal communication process has been carried on by Vincent. In fact, he has increased staff involvement by inviting colleagues into the office to participate in sampling of potential brands to be launched in Macau, and informally they would share their opinions about the products. From the successor's point of view, this is an effective way to find out different opinions about the different products, at the same time, this could also enhance the bond between the colleagues in the company. This form of collective decision making has been quite successful in building goodwill between the successor and the staff, as proven by the number of informal gatherings organized by the staff which they would invite Vincent and his father to join. Moreover, being involved in the decision process has also enhances the employees obligation in selling the brands, and they felt responsible to it.

As observed, through the open concept office has a harmonious atmosphere where staff mostly concentrated in their own job, and occasionally shared some friendly chat. When one staff needing help interrupted her colleague who was busily working at her desk for help, the colleague willingly and happily helped the first staff to solve her problem before getting back to her own job. This shows the level of cooperation between the staff in the office. The goodwill between the successor and non-family employees can also be observed from the friendly interaction, and the jokes they have made when exchanging information, creating a casual atmosphere in a high stress environment when phones kept ringing and everyone was busy working on computers and documents.

Therefore, the informal communication between the successor and employees, the empowerment and involvement in collective decision making, together with traditions of informal gathers seems to have formed strong bonding social capital within the firm in the forms of goodwill and obligation.

Proposition 3: Emphasis on shared value of the FBs strengthen trust among family members and non-family employees in the successors

Mr Ip's value behind the running of Vang Kei Hong, "to expand the variety of food choice to consumers in Macau" has obviously been passed on to his son, as Vincent has repeated it more than twice in the two in-depth interviews. According to

Vincent, this value is understood and shared by all his colleagues in Vang Kei Hong, and has been the guide towards the family's business decision making which is even known to the industry through Mr Ip's sharing in his interviews with newspapers and magazines on his ideal of providing more choices and a variety of brands to the local market¹⁴. By emphasizing on this shared value, not only does Mr Ip has more trust in his son's decision making, but the family and staff see that Vang Kei Hong is still heading in the same direction, as the value is shared by everyone.

Aside from succeeding the shared value from the incumbents that strengthens the trust of the CFB members in the successor, this case also shows the importance of the incumbent for showing the first step in placing his trust in his successor. According to Vincent, the main difficulty in establishing this leadership authority was his father's vetoing his decisions, for this caused the employees to not trust the successor's decision, and insisted on getting the approval from the incumbent. However, after Mr Ip agreed to stop vetoing his son's ideas and openly showed support to his decisions, soon all the employees followed and the role of Vincent as the leader of Vang Kei Hong was established.

Proposition 4: Putting shared value into action enhances social trust and norms within the FBs

¹⁴ Grocery Trade Magazine (July, 2012) Issue 7

The trust the industry and the Macau government have in Vang Kei Hong is clearly observed from the broker role Vang Kei Hong was given in establishing connections between Macau, Shanghai and the Portuguese speaking countries in the Macau government's project in Shanghai. This could also be a result of the vast network that Vang Kei Hong has accumulated through sourcing for suppliers all over the world. However, their value of expanding the variety and choices of food for the local population was also the reason for people to trust in the brands brought into Macau through Vang Kei Hong. Aside from sourcing for different brands, they also maintain quality control and through an extensive marketing effort, they have introduced new brands and new products to the local population. In order to carry out successful brands unknown in this area, employees have worked closely with Vincent in choosing the right brands to bring into Macau, by going through different tasting and opinion collection activities, and only until they got consensus on a product they will bring it to the market. Thus, by carrying out what the CFB shared as the value of Vang Kei Hong, every one works hard as the threshold of bringing in quality products to Macau.

Proposition 5: Encouraging next generations' social participation increases the successors' social network and relationships by enhancing their reputation

Although being the son of Ip Sio Man, many people in the industry already knew Vincent, but his reputation was not just based on his family's name. Since Vincent returned from his

studies abroad to start working full time in Vang Kei Hong, his father has encouraged him to participate in various associations and to become involved in social projects. First, Mr Ip half pushed Vincent to join an association of young businessman which he was also a member of when he was Vincent's age. After getting to know more like minded people from this association, Vincent started participating in more associations, and he organized many projects and activities to contribute to the society. Now, Vincent probably has a wider network than his father ever had.

Aside from encouraging Vincent's social participation, Mr Ip also encouraged Vincent to deal with business stakeholders by himself, instead of introducing his son to his connections first. This, according to Vincent, actually enhances his identity and reputation as the manager of Vang Kei Hong instead of simply being his father's son. So now the Ips (father and son) normally attend different social gatherings separately and even if their relations overlap, they maintain their own networks.

4.3.7 CASE 3 CONCLUSION ON SOCIAL CAPITAL SUCCESSION

Having a wide industry network is significant to the success of a distributor, and Vang Kei Hong's success in being the first mover with many of the brands we see in Macau was due to their network of suppliers that they built on trust and the reputation of Mr. Ip. According to Vincent, in Macau, more people know the name of his father Ip Sio Man than their company Vang Kei Hong. Even when dealing with suppliers

exporting to Macau, they may not have heard of Vang Kei Hong, but once they mention Mr Ip's name is mentioned, the trading company got better offers no matter whether in trade credits, or dealing with real estate companies on renting shops or even banks would offer them loans without any difficulties. This has been due to the good credit terms of Mr Ip over the years, and his contribution to the community in enhancing food safety and assisting SMEs in Macau via the government. So, merely inheriting the name Ip has offered some forms of social capital to Vincent, in terms of industry network, trust and reputation.

However, Vincent's reputation in the industry was not just based on his father's name. Following in his father's footsteps, Vincent has been encouraged to participate in local associations. Over the years, from an association of young businessman that Mr Ip encouraged Vincent to join, one in which the father was a member of too in his youth too, Vincent is now a member of over 30 associations including business, youth, charity associations, etc. using his expertise in trading and his own experience to contribute to the society.

Rather than introducing Vincent to people in the industry as his son, Mr Ip has been encouraging Vincent to build his own network, and deal with business associates by himself. This has been able to allow Vincent to establish his own reputation as a leader in the industry instead of merely being his father's son.

Internally bonding social capital has also been strong

within Vang Kei Hong. Traditionally, the employees within the firm have decision making power in terms of HR and other management issues, and only the financially related issues Mr Ip or Vincent, now, will make the decisions. Empowerment to managers have been high, and the reason was due to the closeness of the boss and the staff. Mr Ip have regular gatherings with the staff, and they all understand the goal of the company, 'to expand the variety of food choice to consumers in Macau'. Working towards this goal, both Mr Ip before, and Vincent now, trust their staff to make independent decisions. When choosing new products to import, Vincent even goes one step further than his father in terms of empowerment. He often invites all his staff to sample and taste products together, and gather their opinions on products choices, thus enhancing their feeling of belongingness within the firm. According to the current business leader, most of the staff in the office have been with Vang Kei Hong for a long time, some 20 to 30 years. He admitted that many of those senior staff didn't really need the job, they just enjoy working there as part of the family.

The strong communication within the company is not just in terms of collective decision making and sharing of work information. There is a great deal of informal communication among the staff, starting from the past when Mr Ip would invite all the staff out for dinner and gatherings, until now, where according to Vincent, the staff would organize gatherings themselves and invite the bosses to join. Probably that's why all these years, the staff have enjoyed harmony in Vang Kei Hong,

as they have never been faced with confronting office politics. Though sometimes there could be conflicts between employees, but they have been easy to solve, as both father's and son's solution have been to divide up the jobs and responsibility fairly between the staff, and when conflicted decisions are brought up to the management, all the employees accept the final decision made by Mr Ip. And now they do the same with the young boss.

4.4 CASE 4 - SENG FUNG JEWELLERY 盛豐珠寶金行

4.4.1 INTRODUCTION

Seng Fung Jewellery is the first and the leading local brand in Macau's jewellery industry. It was founded by Lee Chi Fung 李子豐 in 1983, and was then a very small shop named Sun Yuet Jewellery (新月珠寶) in the inner harbor area of Macau. For five years, Lee was running the business alone with the help of his wife and his very small son of around 8 years old. Then, because of the trustworthiness he had built in his neighborhood, he managed to secure finance for investing in a larger shop in the city centre at Av. De Almeida Ribeiro, (San Ma Lo), where all the jewellery shops are located nowadays, and he changed his shop's name to Seng Fung. So, in 1988, the first Seng Fung Jewellery was born, and from doing business with local customers in the neighbourhood, the family business has entered the highly competitive tourist market.

In the late 80s, Korean and Japanese tourists were the main

targets of the jewellery shops in Macau. Seng Fung was one of the last jewellery shops to join the network of working with travel agencies to generate business from tour groups. Although the latest comer, with their value of honesty and quality, their reputation of perseverance in quality assurance and service innovation became known to the industry, and very soon, Seng Fung got the support and trust of local travel agencies. And tour guides started bringing their groups of tourists to shop at the, then, new family jewellery shop. In a few years' time, by the beginning of the 90s, Seng Fung became the first and only local jewellery shop to had gained 100% and 80% market share respectively among Korean and Japanese tourists in Macau.

In around 30 years, Seng Fung has become the leading local Jewellery brand, currently with 7 branches in Macau, and 4 more in Shanghai, Guangdong and Zhuhai. Its success has been attributed to the founder's strongly held business values of "Honesty and continuous innovation", as well as the support and trust from banks and stakeholders from different industry¹⁵. All these are succeeded by the second generation family business leader, Lee Koi Yan, Kenny, the eldest son of Lee Chi Fung and the current General Manager of Seng Fung Jewellery. Aside from their retail business, from an observation of their showroom, Seng Fung seems to have a growing number of business clients contracting them to design and produce corporate gifts and anniversary souvenirs.

¹⁵ According to Kenny Lee's speech on Seng Fung's 27th anniversary dinner referenced from Hong Kong's newspaper Wen Wei Po (8 December 2010), and confirmed a through an interview with Lee Chi Fung and Kenny Lee (July 2014 and January 2015).

4.4.2 BEGINNING AND GROWTH

When Lee Chi Fung first started Sun Yuet Jewellery in 1983, the family had no employees and was run by the founder and his wife with the help of their 8-year-old son. During the 80s many refugees from Vietnam and immigrants from Mainland China came to Macau, and because of their lack of wealth, many of them sold their gold to the local jewellery shop. It was then that Lee saw the potential of the gold business, and decided to expand (Weng Wei Po, 2010)¹⁶. With his highly regarded reputation, and although his business was small, it was enough for Lee to retain a certain amount of earnings. In five years, with the support of a business angel who have high trust in Lee, he raised enough capital to rent a shop in the main jewellery district at the city centre, and changed the shop's name to Seng Fung Jewellery.

In the beginning years of Seng Fung, the jewellery shops depended mostly on tourists from Korea and Japan, who came in tour groups. So it was the decision of the travel agencies and tour guides to take the group to the shops of their choice, and at the time, it was mostly depended on the amount of commission the shops are paying the agents, as well as the relationship of the shops with various travel agencies. So, Seng Fung also started dealing with travel agencies to gain customers from tour groups. At that time, the main tourists coming to Macau were groups from Korea or Japan, and at that time it was difficult to get into the

¹⁶ Wen Wei Po (8 December 2010) <http://paper.wenweipo.com/2010/12/08/zt1012080003.htm>

Japanese market because they have high demand for quality both in the products and in the service. So, being a new comer, Seng Fung targeted first the Korean tourist groups.

In order to provide a better service, and to facilitate communication with the Korean tour guides and Korean travel agencies, Lee sent his teenage son, Kenny, to Korea in study, so he could learn the Korean language and culture. Moreover, the company also hired Korean tour guides to teach the sales people at Seng Fung, according to Kenny Lee, the current general manager, that move was “on the one hand, for our staff to communicate better with the customers; on the other hand, it facilitated relationships between the tour guides and the company,” by knowing the Seng Fung more, especially seeing their diligence and integrity in striving for excellence in quality, “the Korean tour guides were more than willing to bring their groups of tourists to Seng Fung, and they would help sell our products to the tourists as well”. Soon, Seng Fung gained an almost 100% market share of the Korean customers in Macau.

The success of Seng Fung with the Korean tourists market also opened up opportunity for the Japanese market. The demanding Japanese travel agencies started to bring tour groups to Seng Fung as well, so Lee sent his son to Japan this time to acquire the language and the culture. After Kenny came back, they started dealing with more Japanese travel agencies and built up good relationships with the Japanese tour guides. After knowing the firm better, and being satisfied with the high quality

of both their products and service, more Japanese tourists were guided to Seng Fung.

After securing the large number of Korean and Japanese tourists, in order to split up the crowd and to provide a more focused service to each target group, in 1989, Lee opened another shop right next door. One for serving Korean customers, and one for Japanese. By 1990, the company expanded to around 200 staff, and every staff were trained in both Korean and Japanese languages so they could move from shop to shop as needed, within a short period of time, Seng Fung gained 80% of the Japanese market share. Business flourished at Seng Fung in the 90s, until 1997 when overall the income for businesses in Macau started to decline.

After Hong Kong's handover in 1997, crime rates started to rise in Macau due to uncertainty of the upcoming handover of sovereignty to Mainland China. So when 1998 came the dark times when Japanese tourists stopped coming to Macau occurred, and the overall tourism industry in the city plummeted. As Seng Fung has been paying high commissions to the travel agencies, and now not having Korean and Japanese tourists who were their main income source, the family firm had problems making ends meet. Things became even worst for Seng Fung when, on top of not being able to sell out their products, lots of customers were selling back their jewels because of the bad economy. In order to keep their promise that the shop will buy back any products from the customers at market rate, Lee bought back millions of dollar

worth of jewels from his customers, with the cost during that period almost bankrupting Seng Fung, but the family business refused to lay off any of their two hundred something staff. Luckily, after the 1999 handover, the security situation became better in Macau, and more tourists started coming in. After the Mainland Chinese government deregulated visas for citizens' entry into Macau, the Special Administrative Region faced another tourism boom. Then it started a new era for Seng Fung, of Mainland Chinese customers, and so, aside from learning Korean and Japanese, all staff at Seng Fung were trained to speak Mandarin too.

From the beginning of this century, business has been increasing steadily for Seng Fung. Even with the 2003 SARs and the 2008 global financial crises which affected many industries in Macau, Seng Fung was still profitable. This was due mainly to the trustworthiness of the company, their brand of honesty as well as the middle range prices that they have chosen to position themselves at, which has attracted many tourists from Mainland China and Hong Kong to buy from them. According to Kenny, “the financial crises caused us some losses as well, but just the 10% of customers who were buying more luxurious products, 90% of our customers buy middle ranged products, and so they weren't affected too much by the economic crises or the corruption combat in Mainland China lately”. Not only were Seng Fung's products priced reasonably, they also encouraged staff to offer cheaper prices for local citizens. “Unlike most business where staff would be praised for being able to sell the products at

a higher price, our staff would be scolded if they sell a product at a higher price to the customers. Especially if they were local customers,” Kenny commented.

Moreover, Seng Fung also attempted to break the tradition of buying jewels in Macau, which is personal relationship focus. “In the past, customers only go to a jewellery shop when the owner or a staff that they know is there, because you get a better bargain if you know someone. But we have a policy to offer a return customer the same discount across all our shops. So if you know someone in one shop, and he/she offered a certain discount every time you come, no matter who serve you, we make sure you get the same bargain”. According to Kenny, they are currently working hard to build relationships between the customers and the company, Seng Fung, not individual relationship with a staff. So, consistency in service, product quality and customer relationship are all areas that Seng Fung has been trying to maintain, and this has been contributing to their value of “honesty and integrity” that is known to all their customers.

Another interesting value for Seng Fung is the value of innovation. Being a jewellery shop, there is not much to innovate in terms of their product except for the design, but rarely could there be new products for development. However, for a long time, Seng Fung has been focusing on market and service innovations, by continuously customizing their services to suit the different markets rather than using a “one-size-fits-all” strategy. And in order to better control the quality of their service and products,

Seng Fung has taken a bold move to invest heavily in the back office support while all their competitors are capitalizing on the current market boom and investing in more shops in more locations.

According to the current general manager, “we were invited by casinos and resorts to set up shop in their malls, but that is not our direction. We are not trying to compete with the international brands or get into the luxurious market, we want to set up a strong foundation that can ensure our quality in the long run.” So in 2012, they started investing in their own back office that includes workshops, training center and research and development in the Zhuhai-Macau Cross Border Industrial Area, and recruiting talents from all over Mainland China and from abroad to form their own teams of designers and gemologists, and preparing themselves to provide their own certificates for the quality of their jewels.

Soon, Seng Fung could be quite independent in the whole flow of their services from research and development, to design, to production, to quality control, to logistics, to sales and to providing certificates of their products guaranteeing their after-sales service. The reason with this enormous investment is again due to the foresight of the founder and his son. Noticing the lack of talents in Macau, they wanted to start earlier to begin training talents they had recruited from different areas in Mainland China, and preparing them for future management positions that could support the further expansion of their family

business in the future.

4.4.3 THE INCUMBENT

The founder of Seng Fung Jewellery, Lee Chi Fung was born into a humble family in Macau, his father was a goldsmith, and he was arranged to learn the trade as a kid. Although he was not interested in being a goldsmith, this experience was significant in paving his way to becoming a jeweler. Lee's father passed away when he was eleven years old, and to support his mother, he had to quit school and start working. Lee took up many different jobs as a teenager from renovator, to waiter, to taxi driver, to office assistant, until he was around 18 years old, when he started thinking of starting his own business. Because of the poor living conditions he had experienced since he was a kid, Lee didn't want to be a worker all his life, and so he changed industry to work as an apprentice at a jewellery shop. His mother was against this idea at first because the salary was very low for apprenticeships, but he persevered. Later Lee went to Hong Kong to work at Chow San San (already a famous jewellery brand in Hong Kong), and from his goldsmith training, Lee already knew the process of manufacturing golden jewellery, so he picked it up very quickly. Shortly after, in 1983, he came back to Macau to begin his own business, the small jewellery shop in the inner harbor area, Sun Yuet Jewellery, and soon he had built a name for his honesty and reliability among the neighbors. The good relationship he had with his customers and neighbor was revealed

from the nickname “Fung Gor [豐哥]”¹⁷(Big Brother Fung) that everyone addressed him with, and is still addressing, him as. According to a story in the Chinese paper, Wen Wei Po (2010)¹⁸ during the time of Sun Yuet Jewellery, “*Fung Gor*” was the “golden paint signboard [金漆生招牌]”¹⁹ of the shop which showed the level of his integrity, and the highly regarded reputation he possess.

His ability to finance a larger jewellery shop in the main streets was also due to his good relationship with the elder generation. Even now, the leader of the billionaire enterprise eagerly teaches this virtue, as Lee puts it: “One of the most important thing for young people to be successful is to listen and learn from the older generation, even if they may not always be right, there is always something you can learn from them”, he also emphasis the importance of “not worrying about giving or doing more and suffering a loss(唔怕蝕底)”. And it was because of doing what he was preaching, he gained the trust of a benefactor, an elderly person who was willing to invest his savings in the young man (Lee was not yet 40 years old then). So, in 1988, Lee moved his business from a quiet neighbourhood to the busiest street in Macau, where all the major jewellery shops are located,

¹⁷ The addressing of someone as ‘big brother’, ‘哥gor’ in the local culture shows respect for someone and/or family like closeness

¹⁸ Wen Wei Po (8 December 2010) <http://paper.wenweipo.com/2010/12/08/zt1012080003.htm>

¹⁹ golden paint signboard [金漆生招牌] meaning a brand that’s extremely valuable, is used to refer to the name of a company which is being highly regarded usually as a result of its integrity, credibility and honesty

the well-known San Ma Lo (Av. de Almeida Ribeiro), and changed its name to Seng Fung (Seng(誠) = honesty; Fung(豐) = prosperity, and is also the name of Lee Chi Fung).

The foresight, hard work, honesty, and networking skills of Lee didn't only brought him success in entering the profitable area of the jewellery industry, but lead his company to become the biggest jewellery brands with the largest number of branches in Macau²⁰. In the beginning years of Seng Fung, jewellery shops depended mostly on tourists from Korea and Japan, who came in tour groups. So Lee invested in building relationships with the travel agencies, and Korean and Japanese customers by dealing with the agents on the one hand, and sending his son, Kenny Lee, first to Korea, then to Japan to acquire the languages that his customers spoke. For Lee, succession is very important for business success, so according to him “growing the company is important, but even if you managed to go public successfully, without succession, there won't be continuity and the business could fall someday”. His plan for the future started since his son was young, training and he has been preparing him to continue the empire Lee himself has built.

According to his son, Lee has been a very tough boss. During the old days when shops only opened in the afternoon

²⁰ According to the government's website on local brands: <http://macaoideas.ipim.gov.mo/mobile/index.php/cn/component/macaoideas/?view=cdetail&id=65>

when there are tour groups coming, Lee already insisted on opening from morning to evening, and providing service to the local customers when there were no tour groups. Moreover, aside from training his son, Lee also has provided training to all his employees, therefore, until now, Seng Fung is the only jewellery shop in Macau where all the sales people can communicate with customers in Cantonese, Mandarin, Japanese or Korean. Although it was tough working for Lee, employees gained a lot for their own career development. According to a former employee who would drop by from time to time to visit his former boss, he couldn't be more thankful to Fung Gor for being strict with him before, because from what he learnt in Seng Fung, he was able to apply to his current job now, and it makes him feel proud of what he knew. Being a serious and hardworking businessman is the impression that most people have towards Lee, according to a former owner of a local travel agency who still remembered Lee as a young man when he commented: "Lee Chi Fung is a very hard-working businessman, he saw the potential of Japanese tourists in Macau, and actively communicated with agencies in Hong Kong and Japan, it's no wonder why he is so successful."

At the age of 67, Lee is not eager to expand his empire for himself, nor is he enjoying the fruit of his success, but keep retaining investment for the future of his family business, as he believes that, even for an entrepreneur as energetic and diligent as himself, "there is a limit to the strength and time a person has, and if you decide to spend it on your business, you must be able to have it passed on to the next generation or else you could just burn

down the brand after retirement,” so to prepare the successor’s ability to take over is important as well as to prepare for the sustainability of the business. For Lee “Chinese people do not talk about brands, it is a western concept, for Chinese, it is 百年老字號 (An old name that lasted over a hundred years) that counts. And to build that, it takes three to four generations”. Therefore, it is not the current success that Lee is looking for, but the future, an achievement that Seng Fung Jewellery will become a name that lasted over a hundred years, and one that he works hard to build a strong foundation for his future generations. Therefore, from the beginning he had high hopes for his son, equipping him with all the skills and knowledge he needed to expand the Lee’s jewellery empire. Even now, after his retirement age now, Lee has still actively participated in the business, but according to him “I’m just hanging around, as my son could manage the company himself”. So, having high trust in his son’s ability on top of the years of nurturing his successor, explains the continuous success of Seng Fung under the leadership of the current general manager, Kenny Lee.

4.4.4 THE SUCCESSOR

Lee Koi Yan, Kenny, who is currently the General Manager of Seng Fung Jewellery is the eldest of three sons, with his two brothers are four and fourteen years younger than him respectively. He had been deprived of the childhood enjoyment other kids were entitled to as he had to help in his father’s shop from the a very young age. “When I was about 7 or 8, I was

already involved in my father's business," Kenny recalled. "When a ring needs resizing, for instance, I would be the one to run it to the goldsmith and back. And when my father is not around, I'll have to sit in the shop, and doing my homework there, to assist my mother with the retail business". At first the successor had complaints, especially at teenage, when his friends often went out together, he had to stay in the shop to help with the business. But looking back now, he treasured the experience of getting through hard times with his family, and seeing the hard work of his father makes him understand success is not easy and that's why, like his father, Kenny thinks more and plans further when it comes to his family business.

As Seng Fung was founded when Kenny was already a mature kid, and it was a time when the family did not have any extra income to hire an employee, so Kenny's life seems to be revolving around his father's business. Throughout high school, all his holidays were spent helping at his father's shop. As soon as his graduated, he was sent to study in Korea because Seng Fung was building up the Korean tourists' client base. After coming back from Korea, as his father was getting into the Japanese tourists market, he then went to study in Japan for a couple of years. Speaking both Korean and Japanese fluently, and understanding the two cultures, Kenny were able to secure the family business's leading position among Korean and Japanese tourists. As the family business continued to grow, Kenny then

went to America to study gemology²¹ and became a qualified gemologist of the renowned Gemology Institute of America (GIA). While acquiring all the knowledge and qualification needed for his father's company, Kenny continuously received a hands on experience in managing the company. According to the new leader of Seng Fung Jewellery, he constantly discusses business matters with his father at home since he was a student, and at their Sunday dinner gathering, a family ritual in practice since he could remember. The whole family would be involved in business discussions, even Kenny's four-year-old son.

During the interview at Seng Fung's new headquarter at the Macau-Zhuhai Cross Border Industrial Area, it was also observed that Kenny possesses great language skills and interpersonal skills, from his fluency in Mandarin, and efficiency and courtesy in talking to employees and clients on the phone. He also maintained a good relationship with his employees, even though he couldn't remember all 200 of their employees, but he is very accessible. During the interview at his small office in the second floor of one of his shops in Macau, it has been observed that staff would casually poke their heads in and greeted him, and when he saw an employee passed by his office, he would call out to them to ask how they were doing. That explains why even former employees would drop by to visit him from time to time.

²¹ 2008年7月的<新潮>杂志 [Xin Chao magazine, July 2008]

The young head of the billion-dollar jewellery empire admitted that relationships and networking is very important for doing business in Macau and China. So very early on, his father already encouraged his social participation, and over the years, Kenny has participated in various associations and has been appointed presidents or vice-presidents to many major business associations in Macau and in Mainland China. On top of that, his ability is also been acknowledged by the government of both Macau S.A.R. and Mainland China, being appointed on the evaluation committee for the Macau S.A.R. *Government's Young Entrepreneurs Aid Scheme*, as well as him becoming a member of the *Chinese People's Political Consultative Committee (Canton Province)*, and a *Specially invited Supervisor of the Zhuhai Gongbei Cross Border Inspection Station*.

Working side by side with his father for many years, Kenny shared his father's values of honesty and innovation, and working diligently to ensure his products and service are of the highest quality. In maintaining service quality across all his branches, Kenny has been making use of social media, "every manager at each shops are given a smart phone and they are connected via WeChat, and they keep the group posted on daily happenings at each shop". So if there are fraudsters in a shop, the manager will secretly take a photo of them and send to all other managers, so they are aware, or when there are new VIP customers to the shop, every branch will be updated as well. This also creates a bond between the employees who work at different branches, (and perhaps in a different city), through their practice

of sharing information with each other every day. Kenny also shared constant updates of the company's plans and news with his staff via the social media, this is aside from the annual gathering which his father before, and now the son himself, presents the company's new projects and directions to everyone. Aside from the staff annual dinner, Kenny is currently planning to have a VIP dinner, in which all the staff and their high-value customers are all invited. "We are inviting the customers to see firsthand our new products, and to communicate with our salespeople. We are also going to offer membership cards to these VIPs, and they will be able to access our WeChat platform so if they have any complaints or suggestions they can post them to the platform. We have formed a team of customer service personnel in our headquarter in Zhuhai who would respond to the WeChat platform responses at once." According to the succeeding business leader, this is an effort to build relationship between the brand Seng Fung and the customers.

4.4.5 THE SUCCESSION PROCESS

The succession process for Kenny started at a very young age, since the family business was founded, Lee had already started preparing his son because to him, it has never been just his business, but it was an heirloom to be passed on to the next and the next and the next generations. According to Lee, "we don't look at what we have now, we need to look into the future, this is part of the plan for succession" and to him succession depends not only if there is a successor, but also the successor needs to be the

one “with the right weapon” so he has been training his son from a young age in languages and in gemology²², and after completing his educational training, Kenny started managing the company together with his father. That’s why Kenny commented in an interview with a recruitment company that²³ “I was born into this industry”.

Although, according to the successor, his family is very Chinese, and his father is very Chinese, there has seldom been conflict between him and his father. “When I was young in my early twenties, I didn’t want to take responsibility, and think that it’s my father’s business, so if there’s any decisions to make, ask him, don’t bother me.” Kenny recalled, “then when I grew older, I started to have my own ideas, but was rather impulsive, and I was not happy when his ideas were not accepted. But now when I have more experience, I understand why, I hadn’t thought things through very clearly.” This is something that can only be gained from years of experience, and to both father and son, this is a part of the succession process. Even being equipped with all the knowledge needed to run the business, it takes time to gain industry experience. The founder has also shown a high level of trust in his son. According to an earlier interview with an online platform, Kenny explained that he wanted to start selling watches in Seng Fung, but it was a huge investment, and his father didn’t like the idea. However, Lee agreed to let Kenny try, so he did and

²² Macao Daily News, 14 September 2010

²³ http://www.job853.com/MacauNews/news_list_show_macao.aspx?type=3&id=27410&page=&y=0&m=0&d=0

it was “more stressful than succeeding in the family business”²⁴. Seeing the watches sections in all of Seng Fung’s shops nowadays showed that it was successful.

Kenny admitted that his management style and his visions and values are very similar to his father as he practically worked with his father all his life, since the beginning when their family enterprise was founded. Therefore, like his father, Kenny also believes in succession, so his plans were not to exploit opportunities to make money now, but to invest in the future, making sure he has built a good foundation for the next generation to continue bringing the enterprise to the next level. Although his son is only 4 years old now, Kenny has already started the succession process. “I started with explaining to him what the family business is, and when I have to go away for business, I would explain to him why and what I did to give him an idea of what his father’s job is now”. Aside from getting his son familiar with his work, Kenny also said jokingly that he’s training his son about the concept of money, “When we go shopping, we would ask him where the money comes from. Before, he just know that the money comes from mummy, now he knows daddy has to work to earn the money.”

4.4.6 CASE 4 FINDINGS

This part presents the findings from the case in relation to the propositions presented for this research.

Proposition 1: The practice of open communication and continuous family ritual enhances the FBs' identity for the successors, thus strengthening their family social capital

The fact that the successor in this case considers himself born into the family business already showed how strongly he identified with the FB. However, this has also been due to his early involvement into the FB, and that his father has been discussing all matters related to the company with him and the family even when he was young. Moreover, the topics they mostly talk about during the family ritual of Sunday dinner in which all members of the family participated are also related to the FB, and according to the successor, his wife and son also participate in the discussions. This has contributed to the family feeling that Seng Fung Jewellery is a family business and not just the father's business early on. This is also seen from the participation of Kenny's second brother in the FB, as he has also completed his studies in gemology, and has been managing the Shanghai branch of the FB assisting his elder brother in running the firm.

Proposition 2: The practice of informal communication and organisational tradition enhances the successors' goodwill with and obligations of non-family employees

It has been observed that the successor has been in very good relationships with the employees, from the friendly greetings he exchanged with his staff when he arrived at work, and during the interview both at the headquarter in Zhuhai and in

his Macau's office. Moreover, during the drive from Macau to their headquarter in Zhuhai, the driver addressed him as 'Yan Gor' [Big brother Yan] and has been exchanging friendly conversation with him, not like a boss and employee, and this also showed his close relationship with non-family employees. In fact, all his staff, according to observations, addressed him as 'Yan Gor' instead of the more formal 'Mr Lee' that is the usual way staff address their boss. Even former staff would stop by to visit him added to the fact is that they have maintained good relationships. The level of goodwill between the successor and the staff could be attributed to the informal communication they practice within the organisation, and also the tradition of keeping staff informed of what's happening, through annual gatherings and the social media in the organisation, and the high investment Seng Fung paid in training their employees. Also, due to the practice of using the WeChat platform for staff communication and company information, staff are more obliged to share their experiences and keep others inform of what's happening in their shop.

Proposition 3: Emphasis on shared value of the FBs strengthen trust among family members and non-family employees in the successors

The FB was founded on the values of honesty and innovation, which was embedded into the whole firm. Even in news article about Seng Fung, the values of the firm are often emphasized. That and the value of succession, have been repeated

often by Lee during the interview at Seng Fung's headquarter in Zhuhai. These values have also been repeated by Kenny during his interviews. So it seems he has succeeded his father's values for the firm. As these values have been shared by the long-time staff who started working at Seng Fung since the beginning, the continuity of these values would enhance the trust of the staff in the successor. During their annual dinner, Kenny has repeated the values of their firm, and adding to that, the support he has gained from the industry and banks, which showed that the industry has faith in him.

Proposition 4: Putting shared value into action enhances social trust and norms within the FBs

The effort of Seng Fung in carrying out their values of honesty and innovation can be proven by the quality their enforced into their service and production chain, this has built their brand into one that even at times of economic crises, consumers would choose their shop as they trust in the level of guarantee. Moreover, the image the brand has created is a source of pride by their staff, and so they strive for quality in their service and building trusting relationships with customers. The Chinese newspaper *Wen Wei Po* (8 December, 2010), commented that 'every staff showed a high level of professionalism when introducing their own products which enhances the trust in customers'.

Proposition 5: Encouraging the next generations' social participation increases the successors' social network and relationships by enhancing their reputation

The extend of the successor's networks and relationships can be seen with the list of titles on his namecards as presidents or members of different associations and government committees in Macau and in Mainland China. Also when inquiries were put to local business associations about interviews with FB owners, Kenny Lee has been the first name that comes to everyone's mind. The reputation of the successor seems to be highly regarded by the young local business people.

4.4.7 CASE 4 CONCLUSION ON SOCIAL CAPITAL SUCCESSION

Having an excellent reputation for the trustworthiness and innovation of both the father and son have been critical to the success of building Seng Fung into the leading Macau jewellery brand. The strong value of succession that Lee puts into running the business has caused the company to look further into the future and plan ahead, thus creating a strong foundation for the next generations to come. Being a family business, the successor admitted that they have the advantage of flexibility which allows them to implement service and process innovation, to change direction according to the changes in the market quickly and effectively. This has also been contributed to by their practice of effective communication within the firm, and every employee has managed to get daily updates in the company.

According to Kenny Lee, there is a strong shared understanding among all staff because he, and his father before him, both valued staff who shared the value of Seng Fung over staff with a high level of experience and knowledge. Over the years, staff had left because they refused to change, but those who stayed understood the hard work the company takes to ensure quality, and the rapid changes needed to meet the service demand of customers at different eras. Moreover, the investment that the CFB leaders have put into training their staff, and their accessibility and informal communication within the office have created goodwill with non-family employees and enhanced their obligations towards the CFB, this is proven by the senior staff who have been with Seng Fung from the beginning and is still staying with the company even after reaching retirement age.

Seng Fung also has a reputation of having high social trust, this can be observed from the large amount of products they were commissioned to create by many large organisations both in Macau and in Mainland China. The social participation of the successor has also contributed to the expanding network of the family firm not only in Macau, but also across the border to Mainland China.

4.5 CASE 5 – NAM PENG CAFÉ 南屏雅敘

4.5.1 INTRODUCTION

Nam Peng Café is well-known for being the oldest *cha chaan teng* (translated as Chinese tea restaurant, and meaning a Chinese style café) in Macau, and the first air-conditioned one when it was opened in 1966. Famous for its super thick egg sandwich and egg tart, so this small *cha chaan teng* has attracted many locals as well as tourists to queue up for a table every afternoon. But according to the current second generation leader of Nam Peng, Leong Iao Tek (Leong), their most valued customers are locals, and the majority of them are people in the neighborhood who have been going to the Nam Peng Café almost every day, and some of them have been doing this for the last forty years.

Nam Peng Café is located at Rua de Cinco de Outubro, a small quiet street off the most crowded road in Macau Avenida de Almeida Ribeiro (San Ma Lo). When Nam Peng was first opened, Rua de Cinco de Outubro was one of the most prosperous streets, and the centre of the city where many of Macau's most famous traditional businesses were located. Nowadays, the area is a quiet, old-style residential area, and the people in the neighborhood have been living there for many years, so it's a cozy area where most people know one another. And Nam Peng is the natural place where people in the neighborhood hangout and socialize.

The café was named Nam Peng because the founders are a family from Nam Peng Village (in Chuzhou City, Anhui Province) in China. For over 40 years, the Leong family has been serving a similar menu in a premise that still resembles a cha chaan teng in the 60s, according to old customers of Nam Peng, nothing in the café has changed, from decorations to food, and that's one of the reasons they keep going back. In the 60s Nam Peng was known for their expensive coffee, over the years, they became one of the few places for good quality coffee and food that is still at a low price, because not only because of their ambience and menu, even their prices haven't been increased much. From the beginning, the founder was very strict with the quality of their food, which has been carried on until now, such as the Leong family insisted on using the best products and providing large portions even if their cost is higher than for other similar businesses. That's why they have managed to maintain a group of returned customers, who have been returning for 40 years, and bringing their next generations along as well. Nam Peng is currently being managed by the second and third generations of the owning family.

4.5.2 BEGINNING AND GROWTH

Nam Peng was founded by Leong Wai and his four siblings in 1966. In the 60s, the Leong brothers and sisters jointly invested in a few different small businesses, and they run the businesses together. After a few years, in the beginning of the 70s, they decided on a division of labour, and Leong Wai took over

management of Nam Peng and started focusing on the cha chaan teng's business. For almost 50 years, there has been no changes in Nam Peng, in terms of size, there has always been around 20 staff, and the family has never thought of growing the business or opening more branches. They like it the way it is, which is echoed by customers of Nam Peng, from those who go there often to tourists who have posted on their social media profiles, they all like the old style of the café, because there are very few food and beverage outlets left, that allowed us to have a glimpse of how old Macau was like²⁵.

In the early 70s, Nam Peng Café was only known to people who lived in that area. The family was not trying to make a lot of money from running this cha chaan teng but just to be able to support their family. As the only *cha chaan teng* that is air-conditioned, and there weren't many places to drink coffee in Macau, it was considered a trendy place to go to, according to the old customers, the image they had about Nam Peng in the past was that their coffee was very expensive. However, as it was in the neighborhood and they have air-con in the summer, neighbors would often go there to hang out and chat with the owners and other neighbors in Nam Peng. After some time, the quality and large portion of the food in Nam Peng were recognized by their customers, and by good will of mouth, they began to have more and more customers. The emphasis in quality was strong with the

²⁵ According to an online discussion about Nam Peng Café <https://es.foursquare.com/v/%E5%8D%97%E5%B1%8F%E9%9B%85%E6%95%98-caf%C3%A9-nam-ping/4bd529e26f6495219cc26eec>

founder, and this was passed on to the second generation successor, the current CFB leader, Leong Iao Tak (Leong). According to him, the main values about their business is honesty and providing good quality food in full portion to customers. Even with the high inflation in Macau now, causing ingredients to be more expensive, and almost all food and beverage outlets are decreasing the portion of their food if not increasing the prices. However Leong still insists on maintaining the big portions while their prices are currently below the market price.

In order to maintain the freshness of their bread and egg tarts, the baker at Nam Peng lived and is still living in the café, and starts working at 4am in the morning, baking the first round of bread and pastry for the breakfast customers. Then, instead of making more in the morning, they bake fresh ones after the lunch hour to be ready for the afternoon tea customers. Almost everyone in Macau knows that fresh bakes come out at 3pm in Nam Peng, so it has been the most crowded time with people lining up for the freshly baked egg tarts, bread and pastries. This is another reason why customers keep coming back, unlike some cha chaan tengs that may just toast overnight bread, they trust that Nam Peng's bread is fresh. In fact, one customer commented that the owner wouldn't allow unfresh food to be served in his café, that is both the late Leong Wai, and his son Leong. And this trust comes from knowing the owners for years. The customers also believed that after Leong retired, his sons will continue delivering the same quality because they are a family, and because the third generation has been working there for years and they know the

customers too.

Towards the end of the last century, as restaurants and coffee shops become more modern in Macau, citizens became more nostalgic of the old style, and so from a neighborhood café, Nam Peng has become the place young people would go to as a destination for the weekend. But their high-value customers are still those from the neighborhood who have kept returning all these years, and according to Leong's daughter (Angie) "some of our customers come every day, our staff would already know what they will drink". In fact a few of the employees at Nam Peng have been working there since the time of the founder, and so they and the returning customers actually have known each other for over 30 years, some even 40 years. That's why there is always a very warm feeling of people shouting out greetings at each other in the café, and even a couple of customers can be seen who often sit there for hours, reading the newspaper and chatting with the owners, staff and other customers who come in. Angie added that during the mandatory Chinese New Year holiday, employees of Nam Peng wouldn't mind coming in to work because many customers would drop by to give them Lai See (red packets with money inside), the customers would even go in to the kitchen to give Lai See to the back stage staff.

According to some observations, even the operations at Nam Peng remains old style, with the waiters remembering what each customer orders and shouting their orders into the kitchen. The pieces of paper they write down the orders on are

incomprehensible to outsiders. According to Angie, that was one of the reasons she couldn't help out much in the café because she doesn't understand what was written on the orders either, but her brothers do because they have been involved in the family business since their early teens. Those particular symbols or words used to take an order is a shared language that only staff working in Nam Peng could understand. Although the service process looks like chaos, but there seems to be a system that works quite effectively, one that not even Leong or his son, the third generation successor, Wing On could explain in words. To Leong, "you just do what you see, there's no particular process", but according to observations, with over 70 customers and only four service providers, they still managed to deliver a very efficient service (around 5 to 10 minutes from order to food being served), so there must be some shared understanding between the staff in terms of service process that was developed over the years. To them (employees at Nam Peng) it was just "hands-on work". Wing On commented he wouldn't change anything after his father retired because they already have a very good system, although he couldn't explain it, to them the work process has been a natural evolution of what they do.

For a small business like Nam Peng, there hadn't been any particularly difficult periods. According to Leong, "We focus on neighborhood business, so an economic crisis or security problems before the handover had no effect on us". However, according to his daughter, they did face some difficulty during the SARs outbreak in 2003 when fewer people go out for food, and a

few years ago when inflation caused a high increase in ingredients, Nam Peng had to increase their price too which cause customers to come less because they had never increased their prices before. During those periods, they had difficulty making ends meet, but they hadn't try to cut cost by firing staff or cutting down the size of portions of their food or using lower cost ingredients. Their integrity in maintaining their standards, soon won them back their customers. And due to the increasing number of tourists coming to Macau, Nam Peng has also benefited greatly. Although never having to do any promotions, the good word of mouth has spread the news about their products, and with the increase in the use of social media, the news about a very traditional style cha chaan teng in Macau with high quality food and reasonable prices was spread to visitors from Hong Kong, Taiwan and Mainland China, and soon Nam Peng Café was flooded in tourists.

During the years around 2005 when new casinos started opening and increasing demand for service staff, Nam Peng faced another difficulty, while the café is crowded with tourists and local customers, a few of their staff left. Worse still, the casinos pulled up the level of salary, and Nam Peng cannot afford to hire local staff so they lined up to apply for hiring blue card workers (work visa holders from outside Macau) for hiring foreign staff. It took them quite some time to get a quota for hiring staff on a work visa, and during that period the whole family was there to help. According to Angie, her two brothers and her mother had to work full shifts from 6am to 6pm like their father, while Angie

and her sister would go to Nam Peng after work to help ‘at the back stage, washing dishes. “The whole family struggled through those difficult times together” Angie remembered. That’s why her eldest brother Wing On said “Nam Peng has to be a family business, because we couldn’t survive without support from the family”.

After almost 50 years in the neighborhood, everyone knew the Leong family. Leong said that everyone in the street recognized him, they would call and greet him, although he didn’t remember their names, he recognized all the neighbours. For Mrs Leong, she recognized everyone, and is often chatting with all the customers in Nam Peng.

As the founder, Leong Wai, was a very traditional Chinese man, so the females in the family were not allowed to work in the family business. So, Mrs Leong had been staying home as a house wife until the founder passed away, then she started helping her husband run the café, and like her husband, Mrs Leong works from 6am to 6pm, then she goes to the market to buy food and cook dinner. The whole family has dinner together every night and according to Leong, “the family do not talk about business at home”, and it makes sense since, as Wing On puts it “we already work in the business together 12 hours a day”. Angie recalled that her father seldom speaks at home, but now they would talk more about TV programmes and their dog.

However, to the Leong family, Nam Peng Café is like their

home too. At the second floor of Nam Peng, there is an altar of the Leong's ancestor, and every year, on the 1st of May, the whole family including the families of Leong's seven siblings, a total of around 50 of them would gather at Nam Peng for ancestor worship and then have a family gathering at the café. According to Angie this has been a tradition has been going on forever, although when she was a kid, they whole family would travel to Nam Peng Village in Mainland China, but now, they just go to Nam Peng Café for their family gatherings. These gatherings have kept the families updated of what's going on with the different businesses that the first generation invested in, including Nam Peng. And according to Leong, whatever business decisions he made, he would keep the family (his siblings) informed and to ask advice from his uncle (the brother of the founder) who are all owners of Nam Peng as well. Therefore, there has never been any conflicts among family members in matters related to Nam Peng.

At Nam Peng Café, family and non-family staff also maintain a very good relationship. As observed, there is no power distance between the boss and the staff, their communication is very informal (in fact they were shouting at each other) sometimes, it seems like they were arguing, but it was just the heat of the moment, two minutes later they will be joking with each other again. According to Angie, if the staff disagree with the business leader or the successor, they would argue with them, and sometimes the arguments could get quite heated. But then afterwards, they are friends again. This shows how deep the relationship they have with each other. In fact, many of the staff

has been with the family for many years, some of them started from the beginning, grew up with Leong and watched his sons grow up. Customers sometimes have commented that during rush hours it's like a big fight in the café, with staff shouting at each other, and customers needing to shout too to get the staff's attention to take their orders. But the customers were not complaining, they just thought it was funny, and actually quite cozy.

These staff who have been with Nam Peng all these years even when there are so many well paid jobs outside was because they felt like a part of the big Nam Peng family. Also, the company have maintained a unique tradition of paying their staff twice a month. According to Angie, some of the employees often gamble, and paying every 15 days could make sure they won't loss all their month's salary at the beginning of the month. Also, the remuneration included lunch for staff at the café and at the end of the day, they could take away all the leftover bread because the café makes fresh bread every day rather than selling the previous day's leftover at the start of the new day. So, as the staff felt being taken care of, they also felt like being part of the family and so do not plan to leave. Usually, when they have problems, like the period of time with staff shortage, the employees would help and struggle through the time with the business owning family together. The family also tried to grant the employees holidays when they ask for them. For instance, if a staff member needs to take leave on weekends (the busiest days), the family members Mr and Mrs Leong and their two sons would work longer to cover

the shifts. According to Wing On, “we are very informal, the staff have lots of freedom and we can openly discuss everything” and that’s why they do not leave Nam Peng Café.

For Nam Peng Café, their growth is in terms of popularity has not changed who they are, from a small unknown *cha chaan teng* that catered only for customers living in the neighborhood in the 70s and 80s, to becoming a destination for local citizens to go on weekends towards the end of the century, to becoming nowadays a local “landmark” that tourists’ coming to Macau must explore. All this time, the café has remained unchanged from tangibles (like the interior and menu) to the service process. Although the owners worry a little that they couldn’t keep up with changes in the society, but their old-style has been their unique selling point, that’s what customers at Nam Peng Café are actually looking for.

4.5.3 THE FOUNDER AND THE INCUMBENT

The founder Leong Wai grew up in Shunde, and then went to Zhuhai before he was 10 years old. After adulthood, he went to Hong Kong to try out some businesses with his brothers, and one of his brother has been stationed in Hong Kong to take care of their business since. In the 60s, Leong Wai and his siblings came to Macau and invested in a few shops. They then started different businesses, and each of them took over the responsibility of running one of the business. In 1966, they founded Nam Peng Café, and jointly managed it at first, then in the early 70s, because

no other family members wanted to run the café, and as Leong Wai had a few sons to help him, he took over the café and began running Nam Peng until he passed away at the age of 79 about 10 years ago.

According to Leong Wai's granddaughter Angie Leong, the founder was hospitalized about five years before his death, after that he wasn't supposed to work anymore, but he still went to Nam Peng twice a day, just to sit there, have coffee and watched his sons and grandsons work. To him, the café is not just a business, but his life. The memory his son and grandchildren have of him was that he was a very hard working and serious man. Having went to school for only three days, Leong Wai taught himself to read and write, and had been reading four newspapers a day when he passed away.

He is a very traditional Chinese man, and women were not allowed to work in the café when he was alive. So, while Angie's two brothers have been helping in the family business since they were kids, Angie and her sister only started helping out once in a while after her grandfather passed away. As a big brother in the family, Leong Wai was a very strict, and a paternalistic figure who didn't talk much, and Angie claimed that she had only seen her grandfather laughed twice.

From the time Leong Wai founded Nam Peng his life was revolved around this family business, working from 6am to 6pm every day, then going to bed soon after dinner. He didn't talk

much, but he chatted with some old customers every day and have created some lovely friendships, even now, these customers keep returning to Nam Peng. The founder was also a very authoritative figure who gained respect from all his staff and family members. According to the memory of his grandchildren, Leong Wai was a person of strong character, when he said something there could be no argument and the family would all follow his instructions. However, he was also very fair and clear, although he was fully in control of Nam Peng Café, he took the responsibility of keeping other owners informed of things happening with the business and frequently, and he involved all of the family owners in the decision making even though in the end he was making all the decisions, but the involvement of the others created considerable goodwill among the other family members. This also enhanced the bond between the families, and they supported each other in the business. For instance, Angie remembered there was a storm one day and the area where their businesses were in was became flooded, so in the middle of the night, all the family members got out and helped clear out stocks in one of their family's businesses, which was a shop that was run by Leong Wai's brother.

Nam Peng Café to Leong Wai was not just one of his family's businesses, but the fruit of his painstaking labour because he spent almost 40 years of his life in the shop. His demand for quality in the food they serve customers has also been well remembered, even when there were cheaper alternatives, he insisted on not changing the brands of the ingredients they had been using, e.g. the milk they use in their coffee is more expensive

than those used by other cha chaan teng but Nam Peng Café never switched to other brands in case it affects the taste of their coffee. The same was true with their very thick fried egg sandwich that Nam Peng is famous for, the egg is three times thicker than egg sandwiches in other restaurants, and it could have saved some costs if they used less eggs, but the founder and his son, the current leader, insisted on providing the same quality to their customers. These values have been succeeded by his son Leong Iao Tek.

Nam Peng Café is as much the child of the second generation family business leader as his father, for Leong has been working in Nam Peng Café together with his father from the beginning. He was already a teenager when the family business was founded, and for almost fifty years, Leong has put his life into the café.

Leong Iao Tek was born in Zhuhai in the 1950s, and then, after his father settled in Hong Kong, Leong joined him and studied in Hong Kong until he finished junior high. Then as Leong Wai moved to Macau to start up their businesses with his brothers, Leong followed his father here to finish high school. When the founder took over managing Nam Peng, Leong then in his late teens, early twenties joined his father.

Like his father, Leong is a man of few words, and is not a very sociable person. However, he has maintained a friendly relationship with his employees and customers. It has been

observed that he would chat around with his customers, probably they are neighbors in the area whom he has known for a long time, but he doesn't say much, merely some greetings and remarks to the chatty customers. Even at home, Leong doesn't speak much, but would share only a few remarks when watching TV together with the family. It was the mother of the family, Mrs Leong, who knows almost everyone in the neighborhood and would chat with all the customers and employees. During the interview, Leong had difficulty expressing himself and most of his answers were very short, therefore, the in-depth interview for this case was mostly done with his daughter, Angie. According to Angie, her grandfather and her father were very similar in terms of running the family business. As Leong is also the eldest brother, he is an authoritative figure, and at home he makes all the decisions, and his word is the family's command. However, he cannot control employees at Nam Peng like the founder, perhaps because most of the staff has been working at Nam Peng from the start, so he has a more friendly relationship with employees instead of following his father's paternalistic leadership style.

Because Leong has been working at Nam Peng since it was founded, he has shared his father's values of running this small café. According to him, Nam Peng is an heirloom from his father, although there couldn't be much development, and it is hard work running this business 7 days a week, but it is passed on to him by his father, and he has supported his whole family, so he would continue to keep it going. To him, the value of Nam Peng lies in the quality of honesty, never cheating or taking advantage of

customers, so he insists on maintaining the quality of all the ingredients that they use in their food, thus following in his father's footsteps. Also, since the beginning of Nam Peng, they have not changed any of the suppliers, and according to Leong most of their suppliers are small businesses, some of them are in the neighborhood, and unless a supplier closed down, they do not sort for new alternative suppliers.

One of the main reasons Leong maintain the same suppliers since his father's time was because they know Nam Peng's demand for quality, and always provide the best products to the family business. Moreover, over the years, they have built a trusting relationship with their suppliers, whenever they need anything, the suppliers will deliver it right away, and Leong would pay them right away in cash too, saving time in balancing accounts every month, and preventing any debts. The goodwill they have maintained with suppliers has given them some advantages in information, as Leong puts it "when the suppliers know the prices of certain products that we need will go down, they will inform us at once and see if we want to order more to stock up. Also, if they have any new products they will give them to us to try first." Moreover, after years of working together, the suppliers have an reliable estimate of the amount of products Nam Peng needs on an ongoing basis, and keep sufficient stock ready for Nam Peng's order so the café never had to keep too much inventory on hand. Although the owner has never heard of JIT (just-in-time) delivery, he has been practicing it and has been benefiting from the additional extra cost that would occur in

storage and waste of excessive stock.

Although, like his father, Leong didn't take over the family business because he had any interest in carrying it on, rather he did it as a family obligation, because he valued the small café as the provider of financial support for this family. So does his four children, two sons who are currently working at Nam Peng and two daughters who are not working there but would go to help on holidays. Currently at the age of 65, Leong has no plan for retirement, and he didn't think his two sons can handle the family business if he is retired. However, he believes that Nam Peng belongs to the family, and should be carried on if his sons are willing to continue running it. From observations, Leong didn't seem to have much faith in his sons, but he also mentioned his father was the same, and didn't think Leong could manage the business. According to Angie, the founder would sit in the café and observe the activities during his last years when he cannot work anymore himself. This lack of faith in the next generation seems to run in the family. However, Leong's succession was quite smooth, in fact, as father and son had been running the business together, there weren't any 'culture shock' after he took over as the leader. As the pattern seems to be replicating with his eldest son, who has been working in the family all his life as well, there shouldn't be any major difficulties after this retirement.

4.5.4 THE SUCCESSOR

The whole family showed gratitude towards Nam Peng,

to the Leong family the café is their center and the income source for three generations, therefore, as the eldest of the siblings Wing On is ready to take over and continue the family business. But like his predecessors he doesn't have much interest in the family business, however as the eldest son, he has the obligation to carry on the family heirloom.

Wing On grew up in Nam Peng, and from the age of 6 he was already helping out in the family business. In secondary school, he started working in Nam Peng as a summer jobs every year. After graduation, he went to study Tourism Management in Guangzhou, and during that time, he still came back to Macau during his summer break to work in his family's business. After graduating from college, Wing ON planned to come home to find work, however after half a year he still couldn't find a job he liked, so he ended up joining his family's business full time. For him Nam Peng is a responsibility and it also consist of his childhood memory, in fact, most of his life has been spent in the family business. As a kid of six years old, Wing On was already helping in bringing out the bread or other light stuff from the kitchen, and helped with the cleaning up in the café. Then when he reached his teenage years, he started working there as a summer job, having now worked in different positions, he understands how different parts of the café function. Since he is also not a sociable person, he works in the kitchen, and leaves the frontline work to his brother who is more sociable and would go around chatting with customers.

According to Wing On, when there are decisions to be made, it's usually his father who makes the call no matter at home or at work. And for him, he prefers involving his brothers and sisters, to let everyone know the issues and discuss them together. At work, he follows what he learnt from his father has been to speak less and avoid conflict. So, like his father and grandfather, Wing On is also a man of few words, but he has maintained a good relationship with his relatives and the suppliers. Wing On believes that in order to keep Nan Peng Café going, the support from the family is very important, as he didn't think he could run the business just by himself, but he has confidence that his family members will be there to support him. According to Wing On, his family is very close, and whenever someone needs help, everyone will be there, so he would rather keep his brothers and sisters involved in the business. Also, the family business has another important role, which is to keep the family together. Every year the whole extended family would gather at Nam Peng, and it has become the center of community for not just his branch of the family, but including families of the siblings of his grandfather, and his father. So, that is another reason why he needs to keep the family business going on.

As he grew up in Nam Peng Café, he knows most of the customers as well, and even while working in the kitchen, he would find time to go outside and talk to the regular customers. Being in the business for so many years, he is also familiar with all the suppliers, and claimed that he would not change suppliers, because after so many years of working together, the suppliers

already know them well and would help them in an emergency situation. For example, once they were out of roast pork which is a key ingredient of many of their dishes, so they called the supplier, and he rushed in more supply for them. And to the Leong family, this kind of relationship and understanding takes time to build and is highly valued by them.

In the meantime, Wing On hasn't thought much about managing the family business. To him, his father is the decision making, and even though he admitted that his father has already reached retirement age, he hasn't thought about the succession issue. However, just like his father who had automatically taken over running the business, perhaps when Leong retires, Wing On could automatically take over the business as the café has been the major part of both of their lives.

4.5.5 THE SUCCESSION PROCESS

In the 70s Leong Wai was the sole leader of Nam Peng, with his two sons Leong Iao Tak (who was around 20 years old) and Leong's brother who started later (and was a few years younger) assisting in running the café. Then in the 80s, Leong became more involved in the management of the company. For a small traditional business like Nam Peng, the main management is with handling the record books (accounting), so father and son have shared the responsibility of being both the cashier and doing the bookkeeping. Both father and sons started work at 6am in the morning, and worked until the café closes at 6pm, seven days a

week, but they took turns resting in the afternoon. To Leong, that was how he passed every day for the last almost 50 something years. So when his father got sick and couldn't work anymore, there were no difficulty for him in taking over the business, there didn't seem to have anything special, he just went to work as usual because he had already been managing the business with his father.

At the same time, while Leong slowly advanced from helping in the business to managing it together with his father, that is until his father retired and he became the leader, his son Wing On was also involved in the whole process. Born in the 70s, Wing On is almost as old as Nam Peng Café, and basically grew up with the family business. Although, like his father, and many other small business owners, they haven't thought about succession planning, the succession process actually started at a very early time. Having been trained in every parts of the business, Wing On is familiar with the operation, and he has good relationships with the suppliers, regular customers and non-family employees. The final step should be the passing on of financial matters, which according to Angie, their father is still solely managing it. But since it doesn't involve complicated accounting, merely bookkeeping records of cash-in and out, and as the family pays cash for all deliveries, the job couldn't be too difficult. Moreover, the family has been openly communicating all matters, including money matters, as their father, following after their grandfather's practice would keep all owners informed of the financial performance, therefore the third generation do not

think there would be any surprises when Wing On takes over finally. Most importantly, Wing On believes the family will be there to support him, as not only their immediate family, but also the extended family is very close.

4.5.6 CASE 5 FINDINGS

This part presents the findings from the case in relation to the propositions presented for this research.

Proposition 1: The practice of open communication and continuous family ritual enhances the FBs' identity for the successors, thus strengthening their family social capital

This proposition is strongly supported in this case, from the time of the founder, he already involved all family members in the business, reporting progress and keeping everyone informed. This was succeeded by the second-generation business leader Leong, who followed in his father's footsteps and reports news about Nam Peng Café to all his relatives, involving them in the decision making and asking advice from members of the first generation. Moreover, by organizing the family ritual of ancestor worship and the family gatherings at Nam Peng every year this has enhanced every family members' bonding towards the family business, and causes the next generation to identify with the family firm. The communication of the family business is further enhanced in this case by involving the younger generation in the business at an early age. As Nam Peng has become a childhood

memory to Wing On, he has more obligation towards it and also identified with it as belonging to the family, thus would involve other family members in the decision making (his brothers and sisters at least as he said) which has increased the bonding of the family with Nam Peng Café, and securing their support in the future.

Proposition 2: The practice of informal communication and organisational traditions enhances the successors' goodwill with and obligations of non-family employees

By continuing the tradition of bi-weekly payments, and the practice of providing lunch and eating together with the staff started by his father, Leong has maintained strong bonds with the family business. Also, their form of very informal communication, has built deep friendships between the staff and the boss, which although sometimes it has allowed the staff to yell at the boss if they disagree with what he does, also in times of needs, for example, when extra hands are needed on public holidays, the staff would be willing to help. While Wing On has been a member of the staff for a long time, he is already been participating in this tradition, according to his sister Angie, and his relationships with non-family employees are similar to that of his father and the employees, i.e. friendly, and which they can be frank with one another, though they would argue and quarrel with each other, but then make up afterwards.

Wing On admitted that the traditions, especially the small

things in their day to day operations, and informal communication that have always been in Nam Peng, has been part of their company's culture, and he will not change any of them. According to him, this has also contributed to a very perfect system of work process, which he couldn't put into words, but is a shared understanding among members of Nam Peng Café. By maintaining all these things, the third generation believes they will continue to enjoy the goodwill with non-family employees.

Proposition 3: Emphasis on shared values of the FBs and strengthened trust among family members and non-family employees in the successors

There is strong evidence that Leong has emphasized on the founder's value of 'being honest and do not cheat customers –rather always provide good quality and quantity of ingredients in every dish', and according to observation, this is a shared value among the staff as they pride themselves with the large portions and the quality of their food when introducing signature dishes to the customers. This value has been repeated three times by Leong during his interview, and has been heard mentioned by employees at Nam Peng during observations. Maintaining this shared value is important as it is what the reputation of Nam Peng is built on. By sharing the same values and letting the family and employees know, the members in the family business trust that Wing On and his brother would maintain the reputation of the business that has been accumulated from the founder, to the second generation.

Proposition 4: Putting shared value into action enhances social trust and norms within the FBs

While everyone at Nam Peng understood the value their business carry, every staff member adheres to it, and emphasis on their food quality and quantity in relation to honesty to customers. As this value is not just being repeated, but actually Nam Peng is famous for their large portions of food and the good quality of ingredients being used, they enjoy a good reputation among customers both in Macau, and also receive good write ups in travel guides. And according to postings on social media, and the comments of customers at the café during observations, they have put a high trust in the quality of food and beverages from Nam Peng. Especially from the regular customers, and this trust comes from knowing the family for years, as one customers commented, the late owner Leong Wai and the current boss, his son Leong both wouldn't allow unfresh food to be served in the cha chaan teng. When asked what if after Leong retired, they commented, then his sons will still be running the show, and they trust that Wing On will carry on the quality set forth by his grandfather and father because 'they are a family, and follow the principle of like father like son, plus Wing On has been working here for so many years, he knows what us old customers like.'

Proposition 5: Encouraging the next generations' social participation increases the successors' social network and relationships by enhancing their reputation

As Nam Peng is a small neighborhood business, the founder and his successor had not participate in any social events or associations. Their network has been quite small, just within the neighborhood, and tourists know about the place because of good word of mouth from customers who have been there. As the business family has no plan to expand or promote to more customers, social participation is not relevant for them. However, the next generation was encouraged to socialize with returning customers, but from a more out of respect point of view, as those customers are seniors to the next generation and have practically watched them grow up.

4.5.7 CASE 5 CONCLUSION

Compare to the other four cases, Nam Peng is smaller in scale and is closer in network. Unlike the other cases that are in expansion phase, the business family of Nam Peng wanted to remain how it is, and in fact, are not looking for more customers. They do not look forward to attracting more tourists, but are happy to serve customers in their neighborhood, making enough money to survive the family, and keep the business sustainable as the family are strongly bonded to each other and also by their association with the small *cha chaan teng*.

For this business, the succession of social capital is mostly internal, and is especially important because as both the current leader and the successor have mentioned, the business survival depends greatly on the support from family members. Leong

Wing On admitted he couldn't managed the business with the help of the family, and Angie also shared that for the business to carry on, it needs both his brothers to run it together. Moreover, on busy days or on holidays, in order to allow employees to take leave (which they needed to due to the goodwill they have with their employees) they need the help from family members to substitute while their employees are on leave.

Many traditional small businesses are closed down because during the economic boom, because they cannot hire enough staff and earlier it took quite a long time before to apply for work visas to hire non-local staff, and so the businesses have had to shut down. Or during crises like the SARs period, without enough income to cover expenses, they have to close down. However, Nam Peng has managed to stay the same for almost 50 years without changing anything and managed to sustain themselves till now mostly because of the support from family members to assist when there was a lack of staff and to get paid less when the business income was not so good. So, the future of the small traditional café strongly depends on the successor's ability to succeed bonding social capital from his father and maintain the support from his family members, and non-family staff, which as he has been involved in the business for so many years, he seems to have already possessed the social capital needed to gain support for the future running of the family business.

4.6 RESEARCH FINDINGS

Parts 1 to 5 of this chapter discussed the findings from each of the cases in support to the propositions. From these five cases of CFBs from different industry and of different sizes, evidence was shown through in-depth interviews, informal interviews, observations and secondary data analysis, to support the propositions in answer to the research questions that lead to the main research questions for this dissertation: *How is social capital in Chinese family businesses transferred from one generation to the next during intergenerational succession of leadership?*

Tables 10 to 14 below summarises evidences from the cases discussed in support of each of the five propositions, followed by a discussion of the theories developed from this empirical research.

Table 10: Evidence supporting proposition 1

Proposition 1	Evidence of open communication and continuous family rituals	
All successors strongly identified with FB, and enjoyed support from family members	Case 1	Open discussion among family members at Sunday lunch every week for three generations.
	Case 2	Parents discussed FB matters at home involving the next generation since they were young. Sunday dinner every week involving all members in discussions of matters relating to FB.
	Case 3	Parents discussed FB matters at home involving the next generation since they were young. Sunday dinner every week involving all members in discussions of matters relating to FB.
	Case 4	Family topics revolved around FB, and the successor helping in the FB since a kid. Family ritual of Sunday dinner in which all members of the family participated and often discusses FB matters together.
	Case 5	Constant reporting of FB progress to family members. Family ritual of ancestor worship in the café involving three generation of the family members annually.
<i>The practice of open communication and continuous family ritual enhances the FBs identity of the successors and thus strengthens their family social capital</i>		

Table 11: Evidence supporting proposition 2

Proposition 2	Evidence of informal communication and organisational tradition	
All successors enjoyed good will with non-family employees	Case 1	Informality in the office and the organisational tradition of staff gatherings and company trips enhances the goodwill between successor and non-family employees
	Case 2	Constant face-to-face communication with key staff. Tradition of closing down all shops so all staff participates in a dinner together twice a year where the successor shares the company's plans with the staff.
	Case 3	Successor involves all the staff in the office to sample potential products together, and informally discuss their evaluations. High informality in the office. Organisational tradition of staff socializing and gathering often.
	Case 4	Informal communication through the tradition of using social media for staff communication in different locations to share information daily.
	Case 5	Tradition of bi-weekly payment, and practice of providing lunch and eating together with the staff started by the founder. No formality in communication between incumbent, successors and non-family staff observed.
<i>The practice of informal communication and organisational tradition enhances the successors' goodwill with and obligations of non-family employees</i>		

Table 12: Evidence supporting proposition 3

Proposition 3	Evidence of emphasis on shared values	
Non-family employees tend to place the same level of trust in the successors as in the incumbent in most cases	Case 1	Values of fairness, hardwork and humbleness, as well as the metaphor of the company as a dragon boat, frequently repeated by the founder and his successor.
	Case 2	The business values of the incumbents to “ensure high quality product and service experiences which contributes to the good image of Macau” constantly being repeated by the successor.
	Case 3	Mr Ip’s value behind running Vang Kei Hong, “to expand the variety of food choice to consumers in Macau” has obviously been passed on to his son, as Vincent has repeated it more than twice in the two in-depth interviews.
	Case 4	Founder’s values of honesty and innovation repeated by the successor at the annual staff dinner.
	Case 5	Incumbent emphasized on the founder’s value of ‘being honest and do not cheat customers - always provide a good quality and quantity of ingredients in every dish’. Though the evident of the successors emphasis on values not yet observed yet.
<i>Emphasis on shared values of the FBs strengthen trust among the family members and non-family employees strengthening trust in the successors</i>		

Table 13: Evidence supporting proposition 4

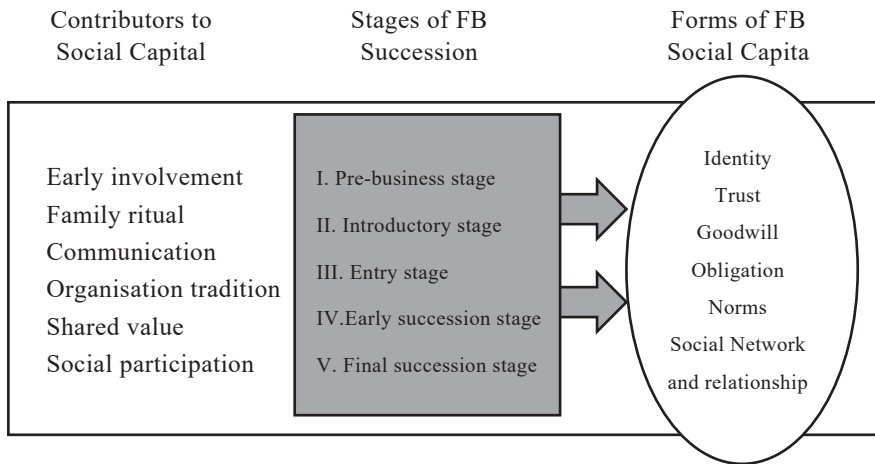
Proposition 4	Evidence of putting shared values into action	
High trust level and unwritten norms controlling actions among members of FBs present in most cases	Case 1	Open design concept of the office, founder's and successor's actions in promoting fairness and hard work has motivated all staff to follow their example.
	Case 2	Incumbents and successor would incur higher costs, and insist on production in Macau in order to deliver quality products.
	Case 3	Whole firm exerting high marketing effort in quality control and in introducing new brands and new products to the local population.
	Case 4	Vast investment in enforcing quality into their service and the production chain and staff training in product and service quality enhancement.
	Case 5	Customers agreed to FBs effort in quality observed. Non-family employees take pride in quality and quantity of dishes served.
<i>Putting shared values into action enhances social trust and norms within the FBs</i>		

Table 14: Evidence supporting proposition 5

Proposition 5	Evidence of social participation	
Successors enjoy high social reputation and/or possess vast social networks in most cases	Case 1	The founder do not take the successor out and introduce him to clients or other stakeholders as his son, but encouraged the successor to step out and make sales calls and participate in social engagement to develop his own network and enhance his own reputation.
	Case 2	Successor succeeded mother’s social reputation through participating in various associations, and is presidents to many businesses and his industry’s related associations.
	Case 3	Successor following incumbent’s footsteps by participating in numerous business and youth associations, and is in executive council of many of the major associations.
	Case 4	Successor following incumbent’s footsteps by participating in numerous business and political associations both in Macau and in Mainland China, and is the president or vice-presents of many of the major associations.
	Case 5	All three generations showed no social participation. But the incumbents encouraged the next generations’ socialization with regular customers.
<i>Encouraging the next generations’ social participation increases the successors’ social network and relationships by enhancing their reputation</i>		

In this chapter, the forms of social capital possessed by the CFBs are identified and the contributing factors to these forms of social capital are analyzed. The propositions for this research is supported, with an added emphasis on early involvement of the next generation as summarised in the proposed theoretical framework for social capital succession in CFBs in Figure 5 below.

Figure 5: Proposed framework for social capital succession in CFBs



According to the findings from this multiple-case study research, the theoretical framework proposed in Chapter 2 is supported. The discussion of theories developed from the findings concluded with a detailed theoretical framework as a result of this dissertation is discussed in Chapter 5.

5. DISCUSSIONS AND CONCLUSION

This dissertation set forth to answer the question: How is social capital in CFBs transferred from one generation to the next during intergenerational succession of leadership? through an in-depth multiple case study. This chapter discusses the five research questions set forth for this dissertation, the theoretical principles developed as a result of this research and their contribution to theory and practice in family businesses. The limitation of this research will be acknowledged and implications for future research will also be suggested.

5.1 DISCUSSION OF RESEARCH QUESTIONS

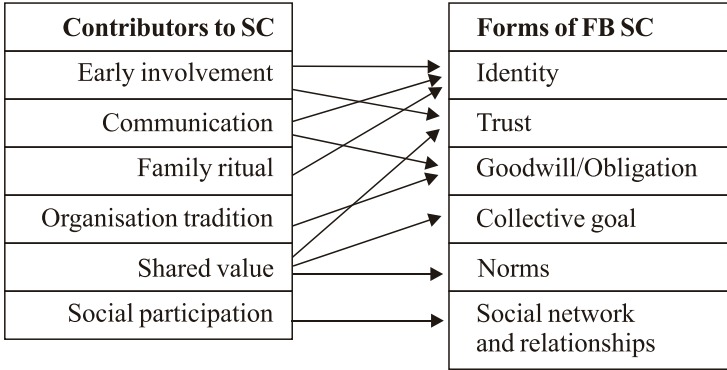
This part discusses the findings in relation to the research questions. From these findings, five theoretical principles are developed for this research, that is, to answer the main research question. *How is social capital in Chinese family businesses transferred from one generation to the next during the intergenerational succession of leadership?* The five theoretical principles resulting in a theoretical framework for the transmission of social capital in the transgenerational succession of Chinese family businesses is discussed in section 5.2.

5.1.1 DISCUSSION OF RESEARCH QUESTION 1

What forms does social capital take in CFBs?

From the literature review, social capital in FBs has been *identified* in the forms of identity (Bruess, 2011; Nahapiet & Ghoshal, 1998; Pearson et al., 2008; Sorenson, 2011); *trust*, *norms* and *shared value* (Leana & Van Buren III, 1999; Nahapiet & Ghoshal, 1998; Pearson et al., 2008; Pearson & Carr, 2011; Sorenson, 2001); *goodwill* and *obligation* (Adler and Kwon, 2002; Arregle et al., 2007); social network and relationships (Bourdieu, 1986; Burt, 1997; Coleman, 1988; Lin, 1999; Portes, 1998; Putnam, 1995). From this research, most of these forms of social capital have been identified in the CFB cases, except for *obligation*, which is not strong. Perhaps in Chinese society, the obligation is embedded within goodwill. Moreover, a strong collective goal has been identified in the cases which is strengthened by the shared values, and the early involvement of the successors in the CFBs. This is also identified from the cases as an important contributor to the both the self identity of the successors as a member of the CFBs, and members of the firm identifying with the successors as the future leader, thus enhancing their trust in him. Therefore, the structure of forms of social capital in CFBs is adapted and illustrated in Figure 6.

Figure 6: Forms of social capital in CFBs



5.1.2 DISCUSSION OF RESEARCH QUESTION 2

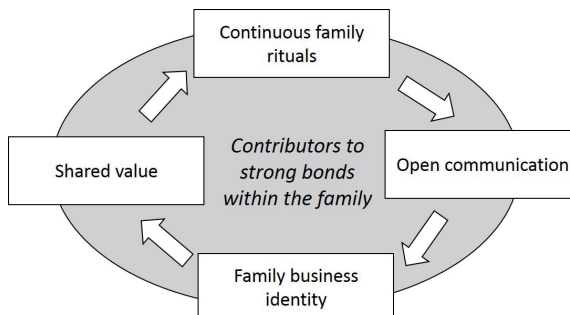
What contributes to the strong bonds within the family?

From the findings discussed in Chapter 4, the strong bonds within the family are a result of a strong FB identity resulting from open communication of the CFBs through continuous family rituals, which has provided evidence to Bruess’ (2011) suggestion that family rituals which include all sorts of family communication from family dinners to holidays are constructors of family identity. Families with an informal practice that involves the younger generation from a young age pass on to the next generation: ideas, values, and in these cases, the values of running the CFB to the next generation. These practices resonate with the argument that successors should be involved early to pass on the FB’s values, tradition and competence (Langsberg, 1999; Barach & Ganisky, 1995).

Moreover, this kind of family ritual in the form of weekly lunches or dinners encourages family members to share information about their lives, creating a strong support group, even after the younger generation grows up and has their own families. All the incumbents valued family strongly among the five cases studied in this research. They insisted on carrying on family rituals in the form of regular gatherings, in which all members, no matter how busy, would cancel other appointments to spend time with the family. In time, younger generations would also develop a personal value of putting family first.

Then, openly communicating matters related to the CFBs increased the direct involvement of all members in the family, enhancing the identity of everyone as a business family. This also set the stage for the successors to gain support from family members as they identify with the CFBs from an early stage and have enhanced their social identity as successors of the family firms (Björnberg & Nicholson, 2012). A figure summarizing the key contributors to the strong family bonds is shown in figure 7 below.

Figure 7: Contributors to strong family bonds



5.1.3 DISCUSSION OF RESEARCH QUESTION 3

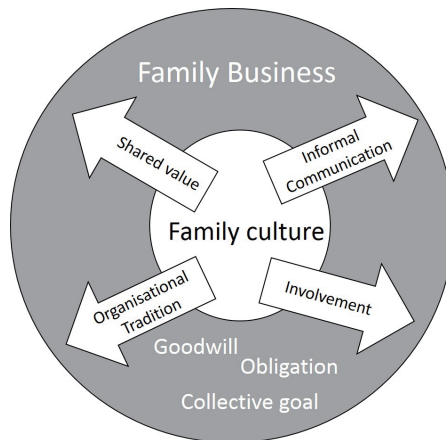
What causes non-family employees to bond with the FBs?

The non-family employees bonded with the business family when there is a practice of organisational tradition where family and non-family employees communicate informally, thus creating goodwill among all CFBs employees. As family values are strong in the Chinese tradition, by spilling over a family culture of sharing and involvement in the business, to the non-family employees enables them to also feel part of the family. The results from the five cases in this research supports the claims of different authors about CFBs that family values and culture are extended to include non-family members (Lee, 1996; Whitley, 1991; Yan & Sorenson, 2006).

In all the five cases being studied in this research, there is a strong insistence on family rituals, which in most cases, family members go as far as cancelling even business appointments to attend these family rituals (rituals in the forms of weekly lunches or dinners, and annual ancestor worship in Case 5). These practices are appropriated to the organisations through informal staff gatherings. In Case 2, the business family will close down all their outlets to allow every staff member to participate in their two annual gatherings. Moreover, an emphasis on the shared value the business families emphasized and communicated to all non-family employees also enhances the collective goal for the CFBs that belongs not just to the business families but them also.

However, the employees felt responsible for achieving the FBs' goals, especially when it enhances the reputation of the overall firm. This sharing of a common values, culture and goals may also motivate all members of the CFBs, family or non-family, to exercise cordial relationships (Gatfield and Youseff, 2001), which enhances goodwill and obligation among the CFBs, tightening the bond of non-family employees towards the CFBs. Figure 8 below shows the spilling over of family cultures into the FBs that has contributed to the bonding with non-family staff due to the enhanced goodwill, obligations and collective goals within the CFBs.

Figure 8: Contributors to bonds with non-family employees



5.1.4 DISCUSSION OF RESEARCH QUESTION 4

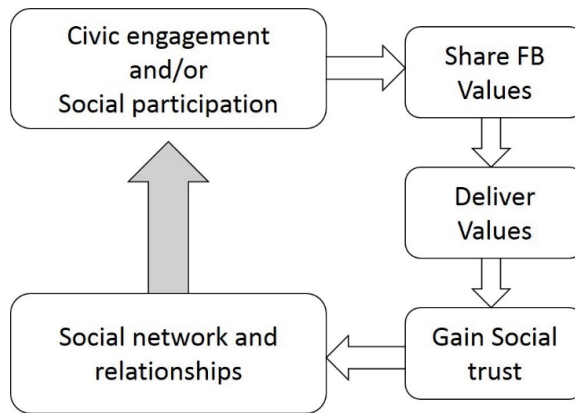
How does the incumbent develop and maintain business and social connections?

The incumbents of four cases showed high social skills and actively participated in social organisations. The incumbent in case 1 is a former member of the legislative assembly in Macao and has been in a tight relationship with the government. Although the incumbents in case 2 didn't participate in any associations, they are known for being very sociable, communicating with everyone in the business and the neighbourhood and for creating friendships everywhere. The incumbents in cases 3 and 4 are highly involved in many business, industry and cultural associations in Macao. So civic engagement and social participation seem to be the key, which resonates with Putnam's (2000) theory of social capital which is in the form of social networks and relationships that can be enhanced through encouraging civic engagement and social participation.

Moreover, all the incumbents of the cases constantly refer to their values in running the CFBs. They have delivered what they value, creating trust in society. And this trust is significant in building business relationships in the Chinese business society, as people tend to do business with people they are familiar with and trust (Lee and Tan, 2001). Once trust is established towards the CFBs in society, the successors can enjoy advantages as a result of the reputation of the firm. This belief is proven by the fact that banks have approached the successors in Cases 2, 3 and 4 to offer them a loan for their expansions. In Case 3, retailers waive the 'entrance fee' for the trading company to distribute products via their outlets. Even in Case 5, where the family tends to be less involved in society and has fewer social connections, the CFB

enjoy just-in-time delivery service from suppliers without paying any deposits. The contributing factors to developing and maintaining the CFBs' business and social connections are summarized in Figure 9 below.

Figure 9 Developing and maintaining business and social connections



5.1.5 DISCUSSION OF RESEARCH QUESTION 5

How can the incumbent transfer the social skills needed to develop and maintain social capital to the successor?

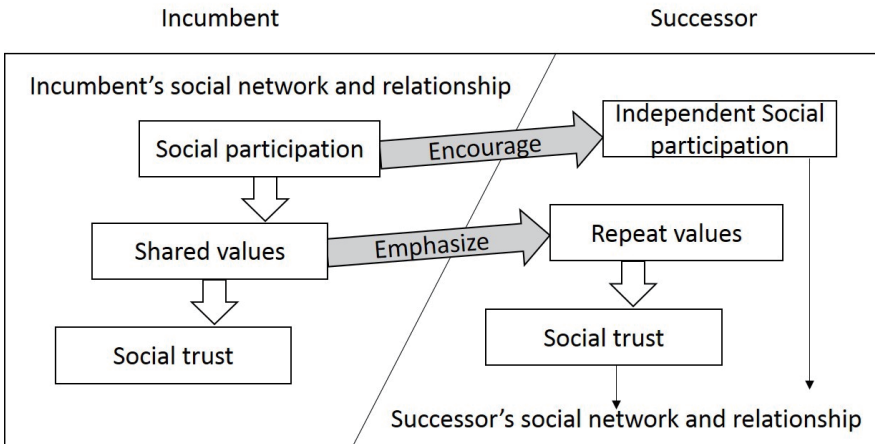
With most of the incumbents being highly sociable human beings, it was surprising to find that the successors in cases 1, 2 and 3 all perceived themselves as being not very sociable. However, the incumbents seem to have successfully motivated their successors' social participation. In Case 1, the encouragement was mainly for the successor to go out and meet with business connections to extend his network, which showed to

be successful as the successors managed to expand the network of the CFB and increase profits as a result of the expanded client base for the firm. In Cases 2, 3 and 4, the successors' social participation can be proven by their association list on their name cards. Weiss (2008) proposed that intergenerational transmission of social capital is affected by parents' social participation and their passing on of social engagement values, which this case provided evidence to support. By encouraging the next generations' social participation through sharing the value of networking and by being a model of social participation, the incumbents in Cases 1, 2, 3 and 4 all successfully encouraged their next generation to expand the network of the CFBs. Whereas in Case 5, the incumbent spends every day within the business premise with a minimum of social engagement, and the successor also does not engage in social networking.

Moreover, by not '*holding the hands*' of their successors and introducing them to the industry, as opposed to Huang (2012)'s suggestion of how parents passed on the social network to the next generation, the successors were encouraged to enter society by themselves to call on business stakeholders, participate in civic and social organisations and develop their business network by themselves. But by having a deep understanding of the incumbents' shared values, the successors tend to constantly repeat the values as well, further establishing trust in them as they are in line with the values of the CFBs. This established the reputation of the successors as not merely the sons of their fathers. Figure 10 below summarises the factors contributing to the

transgenerational transference of social skills from the incumbent to the successor.

Figure 10 Transgenerational transference of social skills



5.2 DISCUSSION OF THEORETICAL PRINCIPLES DEVELOPMENT

The previous chapter reported on the findings of this multiple case study research and concluded that empirical data supports the propositions developed in Chapter 2 literature review. The first part of this chapter began with discussing the research findings concerning the five research questions. From the previous findings and discussion, the following theoretical principles are developed from my research, and a theoretical framework is developed to answer the main research question:

How is social capital in CFBs transferred from one

generation to the next during the intergenerational succession of leadership?

5.2.1 THEORETICAL PRINCIPLE 1

Open communication, continuous ritual and tradition are contributors to the successors' FB identity

According to Sorenson (2011), family social capital consists of three basic elements: communication, identity and trust. Among these, the identity of FB as an integral part of the family is enhanced through a tradition of weekly family gatherings. In some cases, the practice has been going on for three generations. Among 4 out of 5 CFBs being studied, the ritual has been in the form of a Sunday lunch or dinner gathering, during which family business decisions are made instead of during business meetings.

The Leong family in the 5th case do not have a weekly ritual. Instead, they have dinner together every night and practice ancestor worship once a year, involving all extended family relations. Therefore, the FB identity of this family is even stronger. These findings support Bruess's (2011) suggestions that family rituals and communication are primary contributors to family identity. Family rituals strengthen the family tie and the identity of the group as a whole, in a business family. Family members enjoy these activities together, which "builds rapport, friendship, and ease of communication among family members"

(Ward, 1990, p.158).

Moreover, as these rituals have been carrying on since the successors were at a very young age, it adds to the inseparability of the family and the FB, as growing up in the family business shapes the next generation's definition of who they are (Björnberg & Nicholson, 2012). In all five cases, the successors practically grew up in their family's business, being informed and involved in the business at an early age. Thus, they share the value of the business, as it were, with their parents.

Moreover, the family's internal network ties are appropriable to the FBs (Pearson et al., 2008), and especially for CFBs of which the business structures are identifiable with the family (Wong, McReynolds & Wong, 1992), the strong internal ties of the cases in this study are extended to the business as well. According to the cases in this research, it is through informal communication that work-related information is communicated to staff through informal gatherings and discussions between family managers and non-family employees. This strong tie is proven based on the many gatherings, meals or even short trips organized by the family and sometimes initiated by non-family staff for social purposes. By keeping these family rituals and organisation traditions, the incoming generation of family business leaders has maintained strong and supportive ties between family and non-family employees. These are significant to the successful succession of the CFBs as the success of the successors depends on the acceptance of both family and non-family members, as

well as external stakeholders (Barach & Ganitsky, 2005; Le Breton-Miller et al., 2004).

As indicated by all four successors in cases 1 to 4, they will maintain the weekly family gatherings as communication channels of business issues with family members. Moreover, they emphasized the importance of maintaining informal gatherings with non-family staff which help them identify as part of the extended family. They will continue these traditions following in their parents' footsteps. Whereas, though the family in case 5 does not have weekly rituals which discuss business issues, the successor indicated that he would retain the annual ritual of ancestor worship in the shop as it keeps the family bonds, adding that he strongly needed the family support if he is to succeed in the family business.

5.2.2 THEORETICAL PRINCIPLE 2

Continuing the informality within CFBs enhances successors' goodwill with non-family employees

Aside from contributing to the FB identity, the practice of informal communication also strengthens goodwill between family members and non-family employees. In analyzing the five cases in this research, goodwill among the family and the family business has been accumulated through informal company regulations and communication. In Case 1, there have been no formalities, rules and policies, or even written employment

contracts in the firm. Being a small company with only 25-30 staff, there are mutual understandings regarding promotion decisions, and everything is open for discussion. For over 30 years, there have been no arguments between employees and the owning family. In Case 2, the former generational leaders used to know everything about every staff member. Even after retirement, the current business leader's mother still visits and talks to their staff about everything from work to family. Even with hundreds of staff divided among 14 branches, the current business leader still emphasized having constant face to face meeting with key employees to understand what has been happening with them. In Case 3, the retiring business leader often entertained staff, inviting everyone out for meals or short trips. Although the succeeding business leader did not consider himself sociable, he understood the importance of maintaining goodwill among the staff, so he kept the tradition of informal gatherings. In Case 4, a large number of employees are spread across different locations, and the successor created a platform on social media to communicate with all the staff and share information daily. In Case 5, there has been no power distance between staff, the incumbent, and the successor. They all shout at each other like they are old friends.

According to Gatfield and Youseff (2001), CFBs' lack of formal human resources practice could be contributed to by their intrinsic motivation driven by the collectivist notion. However, this could also be the other way around. Because of the informality of the CFBs in terms of communication and policies,

staff felt part of the family, perhaps not the owning family, but the big family of the FB, leading to closer relationships and goodwill with the business family. Therefore, by continuing this level of informal communication, the successors in the five cases succeeded in the goodwill developed between the incumbents and the non-family staff. However, early entry of the next generation is also significant, as according to Yan and Sorenson (2006), the successors participating earlier could form tighter bonds with non-family staff. This could also be the pre-requisite for informal communication and policy as the successors already developed familiarity with the non-family employees.

5.2.3 THEORETICAL PRINCIPLE 3

Norms and collective goals with the CFBs are built through a continuous emphasis on shared values

Among the five cases being studied, all of them have a very clear core value that the incumbents repeat, and in Case 5, the incumbents' predecessor as well, and is known to all staff, both family and non-family. This supported earlier studies in CFBs that identified one of the characteristics of CFBs' success is because the family values are often extended to include non-family staff and are known to all members of the CFBs (see (Lee, 1996; Lee & Tan, 2001; Whitley, 1990; Yan & Sorenson, 2006). These business values have also been the guidelines of normative behaviour when business decisions have been made by leaders and even non-family managers

During interviews with the successors, they all shared their parents' values of running the business and repeated these values more than twice in each interview, like slogans. This clearly indicates the importance of the repetition of the family business value in an informal sense. In all cases, the next generation business leaders indicated that they clearly understood the value of the business their family has been running since a young age because their parents have often, sometimes unconsciously, repeated these values. Moreover, they observed that these values had been lived out by their parents. They are not mere words. However, these values guide the business decisions made by their parents and are currently guiding the next generation in decision-making. This supported Langsberg's (1999) and Barach and Ganitsky's (1995) suggestions that succession should begin early and involve successors at a young age, so they understand the value and tradition of the FBs. According to the interview, the successors have also been repeating the value of the family business to non-family staff, using these values to support their business decisions. For instance, in Case 2, the value has been so engraved into the mind of the successor that, according to him (Alan Wong), when he first started managing the family business, he automatically knew what was the right decisions to make for the business, even if those are not the best decisions for profit maximization.

Furthermore, these values also served as the guide for normative behaviour of the business leaders. While the values of these CFBs have been repeated frequently by the retiring business

leaders and succeeded by the succeeding business leaders, the more important thing is to live by these values. As these values are imprinted into the minds of everyone in the family, they also guide the actions and directions of every business decision made by both family and non-family members of the firms contributing to a collective goal shared by all members of the CFBs.

5.2.4 THEORETICAL PRINCIPLE 4

Enhancing involvement strengthens trust in the successors

Social capital is fundamentally resources embedded within a network of relationships facilitated by exchanges between parties. When these parties trust each other, they are more willing to participate in social exchanges (Nahapiet & Ghoshal, 1998; Pearson & Carr, 2011). Therefore, the role of trust is central to family social capital (Pearson & Carr, 2011). Among the business families studied in this research, trust already existed among family members and has been especially strong in the previous generation of family business leaders, which seems to be the result of paternalistic leadership common in Chinese businesses, and the value of trustworthiness that is known to all staff members of CFBs (Lee & Tan, 2001).

According to all five succeeding business leaders being interviewed, all decisions since their childhood, both family and business decisions, have been made by their fathers, and they

seldom have disagreements among the family. This could be explained by their cultural background, as they have all identified their family as “very Chinese”, and thus valued loyalty and filial piety (Lee, 1996; Whitley, 1990; Yan & Sorenson, 2006). This trust has also been extended to the business as for these five family businesses, four (except for case 4, which has developed more formality in comparison) non-family employees are considered as extended family. In contrast, their practice of family ritual extended to organisational tradition, and the family’s trust in the head of the family has also been extended to the employees’ trust in the family business leader. When the next generation took over management of the business (except in case 5, which is still in early succession), family and non-family employees automatically turned to the new leader for decision-making without a doubt in their ability. As one of the interviewees expressed, “*even before I took over management of the business, whenever my father is not around, everyone would turn to me to make decisions*” this shows the level of trust the employees have in the successor even at an early entry stage.

Aside from the cultural issue, the mutual trust between the family and non-family employees has been developed from the early stage in all cases studied here. The incumbents were known to have involved employees and other family members in decision-making. Their informal practice of discussing business issues or employees’ family issues has also contributed to the strong root of mutual trust within the organization. As observed this the five cases in this research, this level of trust has been

passed on to the next generation, aside from mere inheritance of the family name, mainly through three points: 1) continuing practice of staff and family involvement in decision-making during the succession process; 2) emphasizing the importance of living by the shared family business value; 3) the incumbents showing trust and empowerment in the successors (Cabrera-Suárez et al., 2001; Handler, 1990), through the encouragement of staff to turn to the successor for business decisions. And according to one of the interviewees, “*my dad, having stopped vetoing my decision in front of others, has strongly encouraged colleagues to trust in my decisions*”.

5.2.5 THEORETICAL PRINCIPLE 5

Encouraging successors’ independent social participation is critical to building a social network for the CFBs

All cases of CFBs in this research enjoy strong ties between the owning family and non-family employees through the practice of informal and personal communication, family ritual, organisational tradition, and shared values. Also, except for case 5 which the family is more closed up in their neighbourhood, they all seemed to enjoy goodwill with the government and the community, proven by the recognition, awards, and representation in major committees in their respective industries and social participation is a very significant element of social capital as it strengthens networks and relationships within the community, enhancing norms and reciprocity (Putnam, 2000). In

three of the four cases, Case 2, Case 3 and Case 4, the social participation of the successors have exceeded their fathers'. Although the current business leader in Case 1 has not been as active as his predecessor, he managed to extend the company's business network and expand into other sectors. And in Case 5, the successor managed to 'make new friends among young regular customers. All these show a continuous development of the family business social network.

The transmission of the family's social capital in the form of social networks mainly happened through the previous generations' encouragement of social participation. While it has been mentioned in Huang's (2008) paper that in Chinese family businesses, the parents pass on social networks to the next generation by introducing them to business stakeholders, the cases I have studied so far seemed to disapprove of that. All four succeeding business leaders in Cases 1 to 4, who are socially active, have not been introduced by their predecessors to any clients, partners or stakeholders. Rather, they were encouraged to call on their business relations by themselves and participate in community services or industry associations to establish their own network.

5.2.6 CONCLUSION AND THEORETICAL FRAMEWORK

From the theoretical principles discussed above, a theoretical framework is developed to explain the process of

social capital succession in CFBs. In order to ensure the CFBs social capital in the forms of identity, goodwill, norms, collective goal, trust and social networks are preserved within the CFB in the long run. Business leaders must first create, continue and emphasise the importance of family rituals which facilitate open communication between all family members, and ensure early participation of the successors to strengthen family members' identity as a business family.

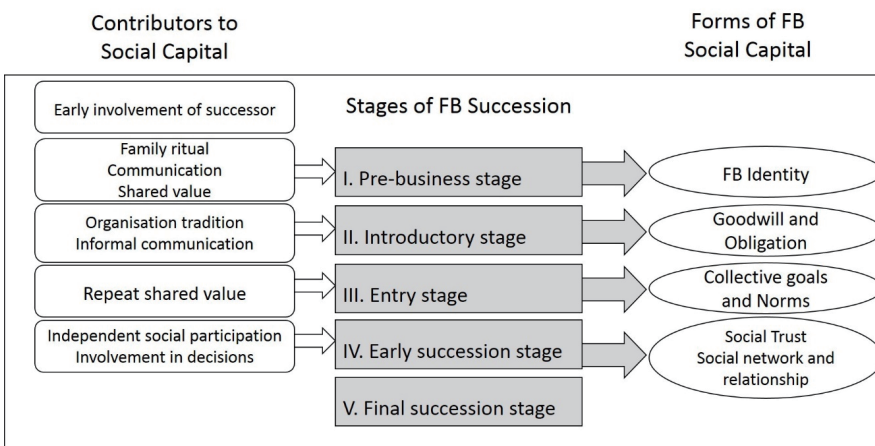
Second, these family rituals have to be extended to non-family employees as the organisational tradition of informal gatherings, with the participation of family members, especially the successor, at an early age, which encourages informal and face-to-face communication to enhance non-family employees' involvement and to acknowledge employees identity as part of the CFB. This strengthens the goodwill and obligation of non-family staff towards the successors.

Then, the repeated emphasis of the business value within the family and the organization is also significant, so the successor understands it from an early age. By carrying on and repeating the CFB value, the successor retains and may even strengthen the internal network among CFB employees through collective goals and norms. Moreover, trust within the CFB is preliminarily established from a successor's family identity and reinforced through group norms built from a shared value communicated through informal rituals. In order to further pass on the capital of the trust to the next generation, early inclusion

and involvement in business decision-making together with key employees and the business leaders' encouragement of staff to turn to the successor for business decisions will enhance the level of trust both within the CFB and in the successor.

Finally, CFB social network is passed on to the next generation through the encouragement of the successor's social participation and through his independent representation of the FB as the manager rather than being introduced to the industry by the business leaders as their children or successor, which could strengthen the identity and reputation of the next generation as the FB leader. The conclusion of this research is represented in Figure 11 below:

Figure 11 Theoretical framework for the transmission of social capital in the transgenerational succession of Chinese family businesses



5.3 IMPLICATION FOR THEORY AND PRACTICE

The findings from this multiple-case study research have implications for theory in the area of the family business, especially in the area of succession, as well as implications for practice in Chinese family businesses that want to be passed on from generation to generation.

5.3.1 IMPLICATIONS FOR THEORY

Family business succession has long been the most significant concern of business families, and research interest in the academic area of the family business (Bjornerg & Nicholson, 2012; Handler, 1994; De Massis, Chua & Chrisman, 2008; Steier, 2001; Sharma, Chrisman & Chua, 2003), are one of the reasons being intergenerational succession determines the business identity, as an intention to pass on the business to the next generation makes a business a FB (Astrachan & Chanker, 2003; Chua, Chrisman & Sharma, 1999; Lester & Cannella Jr., 2006; Ward, 1987).

Moreover, passing on the business within the family is significant to attaining competitive advantages for the business in the long run as it allows idiosyncratic knowledge to be passed on, which, if non-family managers are appointed instead, could cause the loss of highly idiosyncratic knowledge, or increased agency cost (Lee, Lim & Lim, 2003). Furthermore, the family's shared dream motivates family members to work hard to achieve the

long-term family goal (Lansberg, 1999) and this exists only within the family. Especially for Chinese businesses that emphasise relationships and networks, where the ability to pass on social capital from generation to generation would create significant competitive advantages for CFBs. However, among the research on succession, the succession of social capital has been understudied. Therefore, this research fills this gap in family business succession research.

From findings in this dissertation, there is evidence that a process of intergenerational transmission of social capital exists in families, which has been suggested by Weiss (2008). But in social capital succession in FBs, only the modes and means of managing social capital have been explored (Steier, 2001). According to Steier, there are four modes of social capital succession in family businesses: (1) “unplanned, sudden succession”; (2) “rushed succession”; (3) “natural immersion”; and (4) “planned succession and deliberate transfer of social capital” (p.263). However, the means of transferring social capital to the next generation has not been explored. Therefore, this research contributes to the literature by filling a gap which explains how social capital is transferred from one generation to the next in business families.

This research shows that the succession of social capital is a long-term process which begins when the successors are still children, starting with open communication with an emphasis on the FBs values. This enhances both the shared value among

family members and non-family employees and strengthens the successors' identity as members of the FBs as they grow up. This explains why social capital is especially strong with CFBs, because of their lack of boundaries between family and businesses, where parents tend to discuss business matters at home and would not mind letting their children look at business documents at home, causing the next generation to identify more with the business, or according to one of the interviewees of this research, practically being born into the family's business. Moreover, unlike Western FBs that emphasise the outside experiences of the successors (Leach, 2007), CFBs tend to require an early introduction to the firm because the relationship with non-family employees seems more important than the professional experience of the successors. Although almost all of the successors in this research joined the family business immediately after, or even before, college, further research might be needed to confirm this argument. However, this could be due to the value of relationships in Chinese culture. Suppose the successors manage to succeed the bonds that the incumbents have with non-family employees. In that case, they are more likely to get support and help from senior staff, which could be more important than the successors' intellectual capital. This could also contribute to the successful succession of CFBs because even at difficult times when the CFBs lack economic capital or when the next generation lacks the necessary intellectual capital, the strong social capital enables the CFB to gain support from family and non-family employees to keep the businesses going.

Furthermore, this research also shows that the social network of CFBs is not passed on to the next generation with “the parents holding their children’s hands and introducing them to their connections” (translated from Huang, 2008). Instead, successors develop external social capital by participating in business and political associations and taking ownership of the company’s contacts by extending connections without being introduced by the previous generation. This could be due to the negative connotation people in Hong Kong and Macau people give to the next generation of business leaders, “富二代 Fu Yee Doi” (Rich second generation) or “二世祖 Yee Sai Jo” (refer to the rich second generation that does not have to work and inherit). Therefore, incumbents encourage their successors to develop their networks and establish their reputations. Also, as the sons of the business leaders, their family names help business connections identify them. There is no need to be introduced, and their individuality may impress more than who their parents are.

5.3.2 IMPLICATIONS FOR PRACTICE

The theoretical principles developed from this research could be applied to family businesses intended for transgenerational succession. By practising the contributing factors to social capital in this theoretical framework, CFBs can enhance the social capital within their family firm, help the next generation succeed in this capital, and further develop, to achieve a competitive advantage for their CFBs.

According to one of the interviewees in this research, their family has acquired a few family businesses because their second generation was not interested in taking over. Therefore, for business leaders who intend to pass the business on to the next generation, there is an urgent need to enhance FB's identity for the next generation. To do things, such as establishing family rituals that enhance family bonds and openly sharing values of the FBs strengthens the next generation's identity as part of the FB, thus feeling more committed to joining the business and ensuring its continuity.

Moreover, the ability to transfer bonding social capital within CFBs is significant to the survival of family SMEs, especially in Macau, where the unemployment rate is as low as 1.7%. Because most SMEs have difficulty hiring staff, failure to recruit had contributed to some SMEs being forced to close down even when the business was financially stable. This gives CFBs the advantage of having staff with a long relationship with the firm and staying more because of goodwill with the family instead of a high salary. Therefore, for long-term survival, SMEs leaders should begin the process of social capital succession early on to ensure the next generation gains the same support they currently receive.

For CFBs already in the entry stage, with the next generation working full time in the family firm, encouraging the successors to participate in industry or business associations could help establish their network for the future. Moreover, as the

next generation of an already known business, it could help the successors to be identified earlier and establish their reputation in the industry. More importantly, the acknowledgement of the incumbents and their trust in their successors' decisions during the early succession stage is the sign for all members of the CFBs to identify the successions as the new leaders. This could be because of the face-giving culture among the Chinese. When the successors' decisions got vetoed by their parents, they lost confidence in themselves even if the staff members did not.

5.4 LIMITATIONS

This research is not without its limitations. As the selected cases are primarily based on introduction through industry connections to the incumbents or successors, there is a tendency that the research subjects to have good industry reputations and connections. So, this study could not discover if there are cases where there were failures in social capital succession. As the Chinese saying goes, “家醜不得外傳” (Shameful matters in the family remains within the family), so it may not be surprising that subjects who agree to an in-depth case study tend to be successful cases, therefore it may not be able to be generalized to all CFBs, but rather, serve as examples of best practices.

Moreover, due to the culture of filial piety and face-giving, the successors may have exaggerated the achievements of their predecessors or presented the positive side of the relationships. Although informal interviews with other family

members, non-family employees, or family friends were conducted to support data from the in-depth interviews, investigating the relationship between fathers and sons may need in-depth observation of family activities, which this research did not cover. However, infiltrating a family to observe the family dynamics may require research to have a deep friendship with the family or to be a trusted family advisor, which is not yet widely accepted in Eastern culture. Therefore, only observation within the business context could be done to observe the family dynamics.

Finally, as most of the cases are still at the early succession phase, with the fathers still mainly in control, except for case 2, more years may be needed to observe if the practice of informal communication, employees involvement, shared values and the successors could carry on the organizational tradition that contributes to internal social capital within the CFBs. Although there is evidence that these contributors to social capital have been continued in case 2, which has reached the final succession stage, and the new CFB leader has shared the high level of social capital as that of his predecessors.

5.5 IMPLICATIONS FOR FUTURE RESEARCH

The results from this research open up opportunities for further research in studying social capital in CFBs, contributing to both studies in FB succession and CFBs. Firstly, this research shows evidence that the practice of informal communication of

successors with non-family employees and organizational tradition strengthens his bonding capital within the CFBs. However, successors in these cases have been involved in the CFBs from an early age. It might be interesting to apply these practice in a CFB in which the successor enter the business at a later stage in life to find out if merely inheriting the practice of informal communication and organizational tradition from the incumbent could strengthen the successor's internal social capital, or if it has to be under the condition of early involvement.

Secondly, it follows Steier's (2001) research recommendation of controlling the mode of succession to study cases with planned succession and transfer of social capital. As social capital is strong in Chinese families, future research could look into unplanned or sudden succession cases to investigate how social capital is transmitted from one generation to the next generation of CFB leaders.

Thirdly, based on the findings from this qualitative research, quantitative research could be designed using the contributors to social capital and forms of social capital as variables to cover a larger number of CFBs in and outside of Macau to provide further verification to the findings as well as to investigate if the practice of CFBs in Macau applies to CFBs in a different cultural context.

Finally, longitudinal studies to follow up with the 4 cases that are at early succession stages could be carried out to give

further insight into the extent of success in social capital succession after the final succession stage and to investigate the competitive advantages that CFBs enjoy from the successful inter-generational transmission of social capital.

5.6 FINAL REFLECTIONS

Family business succession has always been an important issue for both researchers of FBs and practitioners all over the world (Chua, Chrisman & Sharma, 2003; Chua & Chrisman, 2008; De Massis, Bjornerg & Nicholson, 2012; Handler, 1994; Steier, 2001;), and to achieve longevity for the family firm, succession must be handled effectively, which demands proper planning (Ibrahim et al., 2001). While the training and preparation for the successors are important to ensure the smooth running of the family firm after the final succession stage, the involvement of many people has to be put into consideration as successful succession is to be determined as well by the satisfaction of stakeholders (Le Breton-Miller, Miller & Steier, 2004). Especially in the Chinese context, in which business people are known to invest extensively in social networking relationships (Redding, 1990; Yan and Sorenson, 2006), the ability to accumulate social capital over the years is significant to Chinese businesses, and for CFBs that could achieve continuation in the network that business founders spent years on building through the successful succession of social capital, they enjoy advantages including low-cost advantage through discounts in rent and other operational expenses, and a good relationship with the

government and the industry (as are in Cases 1 to 4) which new businesses or a new leader to an existing enterprise might need to spend a long time to achieve. Therefore, in succession planning, CFBs should consider the significance of passing on social capital to the next generation.

Moreover, it is indicated in this research that outside work experience and the educational background of the successors seem not to be as important as the support they can secure from family members and non-family employees of the CFBs. Except for Case 1, all the other successors had no outside work experience or a degree relevant to their CFBs. However, successors in Cases 1, 2, 3 and 4 all showed evidence of successfully expanding their family businesses through expanding on their fathers' existing network with the support of members in the CFBs (both family and non-family) and both successors of Cases 2 and 3 admitted that they do not know everything, and may not be very capable. However, they can depend on colleagues to develop different aspects of the firms. These prove the importance of social capital in CFBs, and its ability to substitute the lack of other forms of capital.

Therefore, this research aims to develop a theoretical framework of how social capital can be passed on from CFB leaders to their successors. The research issues covered identifying the forms of social capital present in CFBs, which could provide a better understanding of this unique form of business. This part of the research served as a basis for future

research in the qualitative analysis of social capital in CFBs. Moreover, this research also answers how family bonds are created and how non-family employees are bound to CFBs, offering theoretical explanations for forming social capital in CFBs. This research also investigates how CFB leaders develop external social capital and how it is transmitted to the next generation, providing a theory for planning social capital succession in CFBs.

As a result of this research, the following principles are suggested in planning for social capital succession in CFBs:

1. Communication, family ritual and organisation tradition are contributors to FB identity and, therefore, should be put into practice early on in succession planning and ensure successors carry on the practice.
2. Informality in terms of informal communication and involvement of non-family employees within CFBs enhances goodwill between CFB members and their successors, which leads to strong internal social capital that provides long-term support to CFB successors.
3. The emphasis and carrying out of CFB shared values lead to collective goals and guide normative behaviour within the family and the family firm, which is significant in enhancing bonding social capital.
4. The central role of trust in CFBs can be reinforced through the continuing practice of staff and family involvement in decision-making during the succession

process, emphasizing the importance of living by the shared family business value and the incumbent's encouragement of staff to turn to the successor for business decisions.

5. Enforcement of the next generation's social participation at the early stage of the succession process and encouragement of establishing an individual network is critical to building a social network for CFBs, which provides a strategic advantage for the successors.

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