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## The Chinese Family Business Enterprise

*Murray Weidenbaum*

*The purpose of this paper is to analyze the nature of the ethnic Chinese family-oriented business enterprise, which has been a pacing element in the rapid expansion of the economies of China and Southeast Asia. These family businesses differ fundamentally from the standard Western business firm. They usually consist of cross-ownerships of many medium-sized firms, rather than a large unitary firm. The ownership is more frequently private than public. Succession typically runs through the family group, rather than depending on seniority per se.*

*The Chinese family-oriented business model seems to be better suited to standard operations than to high-technology enterprises and to retailing and finance rather than elaborate manufacturing processes or global marketing activities. The special attributes of the ethnic Chinese family enterprise give it the flexibility and resiliency helpful in maintaining operations during periods of stress and rapid change.*

# 3

## Impact of Regional Ethnicity on Family Business Behaviour in Singapore

*Lai Si Tsui-Auch*

*Family businesses are predominant in terms of indigenously owned businesses in Singapore. What is particularly intriguing about the Singapore case is the vast difference in business and management structure between the two dominant ethnic family business groups—the ethnic Chinese and the ethnic Indian. Whereas most of the ethnic Chinese businesses incorporated outsiders into their operational management and pursued random diversification over time, most of their Indian counterparts maintained their family management and trade specialisations. What is particularly interesting is the existence of an intra-ethnic division in business structure among the ethnic Indian enterprises.*

*My key argument is that the opportunity structure in Singapore and ethnic resources and culture each has played only a limited role in shaping the differential management and business structures of the two ethnic groups. Rather, their differences are primarily due to the differential strength of ties of the entrepreneurs to their region/dialect-based networks. The strength of the ties reflects the degree of intra-community homogeneity and inter-community heterogeneity.*

# 4

## Management Model of Korean Business Groups

*Yong-Joo Lee*

*Korean family business groups, known as chaebol, have been identified as the engine of South Korea's unprecedented double digit growth. The chaebol are composed of numerous large, multidivisional, hierarchical, vertically integrated, and legally independent firms. These business groups strongly supported by the Korean government rather than by market mechanism.*

*Korea's golden age come to end as chaebol began to collapse by the Asian currency crisis. Since then, chaebol have been under heavy pressure to reform their family based governance structure, family control, and corporate rule. This paper identifies the changes in the management structures of the Korean chaebol and the underlying forces before and after the crisis taking a holistic approach which incorporates the market, culture, institutions, and state.*

## Corporate Governance and Performance in Taiwanese Family-Controlled Firms

*Igor Filatotchev, Yung-Chih Lien and Jenifer Piesse*

*Using a multi-industry dataset of 228 firms listed on the Taiwan Stock Exchange (TSE) this paper analyses the effects of ownership structure and board characteristics on performance in large, publicly traded firms that are controlled by founding families. Control is not found to be associated with performance measured in terms of accounting ratios, sales per issued capital, earning per share and market-to-book value.*

*Findings suggest that where institutional investors and foreign financial institutions are major shareholders, performance is enhanced. It appears that the presence of institutional investors may provide an effective remedy to a principle-principle agency relationship in family-controlled firms, especially in the absence of a market for corporate control. Similarly, board members' financial interests have a positive impact on performance. However, family control over the executive board is detrimental to performance.*

# 6

## Corporate Governance of Publicly-Traded Family Firms in Taiwan

*Monica M Her and Arvind Mahajan*

*This study investigates the relationship between ownership structure and firm performance and the relationship between board structure and firm performance for the Taiwanese market. As a German-civil law oriented system, the Taiwanese market has several unique features. First, its board structure is a hybrid between the German two-tier structure and the US unitary structure. Second, the Taiwanese law requires all the board of directors and supervisors to hold shares of their company. A third unique feature of the Taiwanese market is that many of the publicly-traded firms are controlled by a family even though that family may not be the majority owner.*

*We show that equity ownership by institutional investors enhances firm performance; however, equity ownership of government agencies impedes firm performance. Our finding of a negative relationship for the ratio of family-related supervisors to all supervisors indicates that investors in Taiwan value monitoring of the incumbent. More importantly, it also implies that with proper design and implementation the internal monitoring mechanisms can work toward shareholders' best interests.*

# 7

## Transnational Network Underpinnings of Hong Kong Family Businesses

*Michael Trimarchi*

*In this paper factors that reflect the nature and underpinnings of Hong Kong Chinese family businesses (CFBs) are identified. CFBs tend to operate within transnational Chinese business networks (CBNs). Connections within these networks develop through personal relationships based on family, clans or extended family, and with third parties introduced through their personal relationships networks. Interactions within CBNs tend to be governed through the use of social controls, which include trust, reciprocity and respect for mutual obligations. It results in a molecular form of coordination where firms are able to respond rapidly to changes in international market forces.*

*Within Hong Kong, firms from the West tend to find it difficult to interact within such socially constructed Chinese business markets. The Hong Kong Chinese, however, are experienced in dealing with firms from the West and appear willing to make allowances for the way they tend to deal. In particular, the Hong Kong Chinese have developed an appreciation for Westerners who display management skills, economic trust, and become involved in inter-firm adaptations.*

# 8

## Household Businesses and Local Bureaucracy in Sichuan, China

*Ole Bruun*

*After the reforms in 1978, a household form of family business emerged in China. A number of the present entrepreneurial households resumed activities that were interrupted at the Great Leap Forward; artisan households especially were strongly represented among these. Just as the concepts of household (hu) and family (jia) are frequently used synonymously, household structure builds on family structure, which is extended to embrace the rural apprentices and employees in hierarchical relations. The existing Chinese “family” tends to be a highly adaptive unit, moving between ideal and functional patterns, even able to replace missing members with nonrelatives to restore form.*

*In a wider perspective, the economic ideologies enacted in the individual sector do not distinguish themselves significantly from what is typical of mainstream Chinese society.*

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# Organizational Learning in the Expansion of Singapore Family Businesses to China

*Eric W K Tsang*

*This article examines the foreign direct investment (FDI) behavior of ethnic Chinese Family Businesses (CFBs) in Singapore from an organizational learning perspective. The discussion is based on a comparative case study of CFBs and non-CFBs in Singapore with respect to their investments in China. Compared with non-CFBs, CFBs generally use an informal and unstructured approach to FDI. They tend to send family members overseas to be in charge of key management positions. Owing to the highly centralized management control and strategic decision-making of a CFB, strategic experience gained from an FDI process is largely held within the family, particularly the head of family.*

## Adapting to New Age through Management Succession in Hong Kong Family Businesses

*Walter W C Chung and Karina P K Yuen*

*One overlooked area in the study of small and medium sized enterprise is the issue of continuity from one generation to next generation in family owned businesses. We interviewed twenty-four 2GOs in Hong Kong. Each of them completed a questionnaire describing the difficulties encountered in managing family businesses. Our findings highlight two major difficulties. First, the first generation owners (1GOs) are disinclined to change, often viewing change as disruptive. Secondly, most of the second-generation owners (2GOs) have not experienced the hardships or problems to establish the company.*

*These findings provide the basis to formulate a framework that emphasizes on the need to acquire essential skills vital in management succession. The framework also facilitates the acquisition of such skills by 1GO and 2GO so that they can share a new mental model to run the family business. The 2GOs must go through many action learning loops to capture the skills crucial for successful management succession.*

# How Administrative Heritage Limits the Development of East Asian Chinese Family Business Groups

*Michael Carney and Erik Gedajlovic*

*Through a case study of Chinese Family Business Groups (FBGs) in East Asia, this paper examines the relationship between the strategic behaviour exhibited by an organisational form and its administrative heritage. To do so, we trace the origins of the strategic behaviour which scholars commonly attribute to FBGs to the environmental conditions prevailing during their emergence in the turbulent post-Colonial era of East Asia.*

*We explain how fundamental changes brought about by shifts in the post-Cold war environment of East Asia have confronted FBGs with new opportunities and organising imperatives which their administrative heritages have left them ill-equipped to deal with. In concluding, we explain how the lack of fit between a dominant organisational form and contemporaneous environmental conditions may have significant implications for the organisations themselves and the economies whose landscapes they dominate.*