

Business And Social Network Conflict In The Evolution of Chinese Family Enterprises: An Exploratory Study

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Abstract

For decades, the founders business and social networks along with the knowledge contained within them have conveyed significant advantages to the Chinese family enterprise. With their impending retirement looming, the founders of many Chinese family enterprises are about to face the daunting task of transferring intergenerational assets such as networks and knowledge to future generations. For the Chinese family enterprise that seeks survival and growth such a task is one of the most significant activities during the succession process. However assets such as networks and knowledge are often context specific, highly fungible and their transfer can be fraught with problems. Drawing on literature from the Overseas Chinese Family Business and more general management literature, this paper introduces the novel concept of 'intergenerational network conflict' to these respective fields. Through developing a conceptual model, this particular paper explores how generational differences in networks can cause conflict during the succession process in Chinese family enterprises. Additionally some of the possible consequence associated with 'intergenerational network conflict' with respect to network renewal and knowledge transfer between the founder and successor are identified. Finally this conceptual paper develops number testable propositions, which can warrant future empirical investigation.

Southeast Asia's remarkable economic success and subsequent has attracted much interest from scholars in a variety of disciplines. Traditional economic and political explanations, such as national industrial policies, along with socio-cultural explanations such as Confucianism and Asian values, have all been used to try and explain this phenomenon. More recently both these approaches have seemed to converge around the commercial activities of a single ethnic group living outside of their homeland – the overseas Chinese (Ahlstrom, Young, Chan, & Bruton, 2004). Although still constituting an ethnic minority in most Southeast Asian countries, the overseas Chinese have been able to exert considerable influence over the economies of these countries. For example in the Philippines and Thailand, the overseas Chinese constitute anywhere between one to ten percent of the population. Yet in terms of market capitalisation they account for about sixty to eighty percent (Kao, 1993; Tsui-Auch, 2004).

The economic success of the overseas Chinese has also translated into social success as well, with the ethnic Chinese being better off than their indigenous counterparts at all income levels (Mackie, 1992). Scholars have used cultural and Confucian values such as, commercial acumen, kin-ship solidarity, high saving rates, and family firm values such as personalism and paternalism, valuing the informal over the formal, centralised decision making and *guanxi* relations, as ways to explain their success (Ahlstrom et al., 2004; Kao, 1993; Kiong, 2005; Mackie, 1992; Weidenbaum, 1996; Wong, 1985). Recently, some scholars have turned their attention towards the business and social networks of the overseas Chinese (Haley, 1997; Kiong, 2005; Lim, 1996) as a means to explain their success.

With the continued success of the Chinese family enterprises throughout Southeast Asia and the advent of the 20th century global economy, understanding the mind set of the Chinese family enterprise remains a valuable and worthwhile task (Gatfield & Youseff, 2001). However the complexity of many Chinese family enterprises has meant that only the easily observable characteristics have received sufficient examination with many issues remaining under explored. With the founders of many Chinese family enterprises expecting to hand over the reins in coming decade, succession remains one such issue which needs further exploration. The unique interaction between the family and business results in a succession process which is often complex, emotional and fraught with conflict and where both the survival of the enterprise and the family are at stake (Davies & Ma, 2003; Gatfield & Youseff, 2001). Recent exploratory research by Yun and Sorenson (2006) suggests that Confucian values, which can be viewed as a grand theory of interpersonal relationships, can actually help to mediate the complex relationship between the family and the enterprise and to ease the succession process. One shortcoming of Yun and Sorenson's (2006) study is that they focus on the positive benefits of strong family bonds during succession. Little consideration is given to how such strong bonds can hinder the succession process and its outcome.

Research Focus

Up until recently much of what has been written on Chinese family enterprises has emphasised the importance of strong family bonds and the importance of networks in relation to their success. As such there is currently a dearth of literature on how conflict emerges in. Similarly, the existing literature has focussed on the effectiveness of Chinese business and social networks with little consideration been given to the ‘dark-side’ of *guanxi* and network relations (Backman, 1999; Carney, 1998; Kiong, 2005). In addition, the existing literature regarding succession has largely focussed on the transfer of physical and human capital, with little or no attention being devoted to the transfer of intangible resources and assets such as networks and knowledge (Cabrera-Suarez, Saa-Perez, & Garcia-Almeida, 2001; Ramasamy, Goh, & Yeung, 2006; Steier, 2001; Varmaki, Pihkala, & Routama, 2003) how conflict may arise from them during transfer.

This study argues that a critical examination of business and social networks along with conflict is an essential component in the understanding of Chinese family enterprises. By opening up new lines of critical inquiry this paper urges scholars to look beyond the traditional sources of conflict, such as sibling rivalries, family relationship and generational differences in values and attitudes that may emerge during the succession process and to consider some of their impacts on the family enterprise. More importantly this theoretical paper attempts to fill in some of the gaps in the current literature and our understanding of the succession process in Chinese family enterprise in several ways. Firstly, through developing a theoretical model, this paper introduces the novel concept of ‘*intergenerational network conflict*’ to the literature as an alternative source of conflict during the succession process. Secondly the paper seeks to broaden our understanding of how network conflict can affect the transfer of knowledge between the founder and the successor. Finally the paper develops a number of testable propositions and suggestions for future research.

The Chinese Family Enterprise

The family enterprise forms the locus of two complex social systems, the family and the business(Lee, 2006). Since both the family and business systems are interdependent, properly identifying and defining what exactly constitutes a family enterprise is often a laborious task in its self. Based on existing definitions (Litz, 1995), a family enterprise is here defined as one where the family owns majority of stocks and more than one generation of the family are actively involved in the management of the enterprise. Additionally, family members must also form the core of the management team and make the most important decisions concerning the enterprise (Tsang, 2002).

Through the interaction of the family and the business, family enterprises create certain ‘familiness’ (Habbershon & Williams, 1999). On the other hand, at one end of the spectrum, the interaction between the family and the business can produce familiness, at the other end it can produce contradictions and conflict (Lee, 2006). This inter-system conflict can potentially influence the development of the family enterprise. More importantly though, such inter system conflict often arises when multiple family members are involved in the enterprise and when generational values and attitudes vary greatly.

Confucian values have been described as the glue that binds the family and the business systems together. Confucian values are deeply rooted in fabric of Chinese society (Yan & Sorenson, 2006). It is commonly argued that Confucian values which relate to education, work, social ethics and group conformity form the foundations of Chinese family enterprises (Gatfield & Youseff, 2001; Redding, 1990, 1995). At the heart of the Chinese family enterprise is the concept of ‘familism’ (Wong, 1985). For Chinese family enterprises this familism stems not only from the interaction between the family and business but also from Chinese social characteristics such as Confucianism (Davies & Ma, 2003). Using familism and Confucian values as their basis, numerous authors over the past few decades have sought to explain the uniqueness of Chinese family enterprises.

Adopting a management perspective Redding (1990) identified the overseas Chinese as an ‘economic culture’ with a distinct spirit of capitalism. Redding (1990) further argued that such a spirit was rooted deeply in the Chinese psychology and the networked nature of Chinese society (Davies & Ma, 2003). In this sense, Redding (1990) also identified familiness, personalism and networking as the three major characteristics of Chinese family enterprises (Backman, 1995; Tan & Fock, 2004; Wai-chung Yeung, 2000b; Yu, 2001). Over the past few years authors have continued to analyse Chinese family enterprises by building on Redding’s (1990; 1995) three main characteristics. For example Wiedenbaum (1996) identified five primary characteristics, while Backman (1995) identified eight. More importantly though these approaches have essentially covered the same ground and emphasised similar traits (Ahlstrom et al., 2004; Davies & Ma, 2003) leading to the success of Chinese family enterprises. Table 1 represents a summary of these major characteristics.

Small Scale	Personalistic Networking Behaviour
Simple Organisational Structures and Systems	Cost-conscious and Efficient
Centralised Decision Making	Weak Market Recognition
Reliance on Dominant Chief Executive	Discouragement of Professional Management
Family Ownership and Control	Limited Ability to Support Growth
Paternalistic Organizational Climate	High degree of Strategic Adaptability

Table 1: Common Characteristics of Chinese Family Enterprises

(Adapted from Redding (1995) & Davies and Ma (2001))

A brief overview of these characteristics suggest that inline with dominant Confucian ideologies the family or *jia* is the central unit in the Chinese family enterprise (Wong, 1985). In addition, the patriarch occupies a dominant role not only in the family but also in the enterprise (Weidenbaum, 1996; Wong, 1985; Yu, 2001). This is often largely due to a simple organisational structure and the presence of paternalism in decision-making (Carney, 1998; Weidenbaum, 1996; Wong, 1985). Operating as minority ethnic enterprises in a politically unstable environments and relatively underdeveloped financial markets (Mackie, 1992), Chinese family enterprises continuously turned to their friends and relatives as a primary source of capital (Ahlstrom et al., 2004; Wong, 1985). Such characteristics typically formed the resource base for a majority of Chinese family enterprises and allowed them to develop a competitive advantage (Carney, 1998; Wai-chung Yeung, 2000b; Yu, 2001).

In more recent times much attention has been paid as to why so many Chinese family enterprises have failed to break out from the 'Chinese management mould'. Redding (1990) argued that the professionally managed, publicly owned Chinese enterprise is still waiting in the shadows. In trying to solve this puzzle several authors have adopted a '*restricted growth view*' of Chinese family enterprises (Ahlstrom et al., 2004; Carney, 1998; Redding, 1990; Tan & Fock, 2004; Tsui-Auch, 2004; Wai-chung Yeung, 2000a, 2006). They argued that the distinctive features of the Chinese family enterprise can produce an obstacle to the growth of the enterprise. For example, the reliance on a single individual to make decisions can hinder the expansion of the enterprise through nepotism and distrust of non-family members (Tan & Fock, 2004). Alternatively, the lack of investments in more expensive long-term task such as brand building and R&D is commonly attributed to the Chinese family enterprises preference for internal financing mechanisms (Ahlstrom et al., 2004; Carney, 1998).

Wong (1985) argued that the preference for family control further placed an inherent limit to the growth of Chinese family enterprises. Rapidly changing demographic and cultural factors has ensured that only a finite number of members are available to continue the enterprise (Tsui-Auch, 2004; Wong, 1985). What's more, Confucian values which are designed to ensure equal inheritance among the founders sons ended up having a disintegrative effect on the family enterprise (Tsang, 2002; Weidenbaum, 1996; Wong, 1985). Similarly, the prevailing simple organisational structures of many Chinese family enterprises has meant that they are not fully able to provide the required coordinating capacity for the operation of complex values chains and task (Carney, 1998).

A Networked Society

The concept of organisational and individual networks continues to gain greater salience among the management and economic literature. Researchers argue that both individuals and organizations are not isolated economic entities but are instead embedded in series of ongoing relationships (Salaff, Greve, Wong, & Li Ping, 2002; Yan & Sorenson, 2006). With respect to the Chinese family enterprises, significant attention has been devoted to their networking behaviour (Davies & Ma, 2003). The business and social networks of the Chinese family enterprises have been commonly referred to as forming a '*bamboo network*' (Weidenbaum, 1996), which affects almost every aspect of the Chinese family enterprises operations. Similar to many other ethnic networks, the bamboo networks tend to be more informal and personal and less contractual in nature (Alizadeh, 2004; Barrett, Jones, & McEvoy, 1996; Greve & Salaff, 2003; Wong, 1985).

Through enacting their business and personal networks, overseas Chinese family enterprises have been able to survive and succeed in harsh and volatile environments (Mackie, 1992; Redding, 1995). In fact some authors have argued that rather than intense competition, the availability of business and social networks, should be considered as the determining factor in the survival of Chinese family enterprises (Wai-chung Yeung, 2006). The networks of the Chinese family enterprise provide them with access to information, knowledge and resources such as labour and capital (Argote & Ingram, 2000; Carney, 1998; Park & Luo, 2001; Yu, 2001). Carney (1998) noted that the real competitive strength of such networks lay in their capacity to respond and adapt to fast changing market niches, which greatly added to the overall flexibility of the Chinese family enterprise (Yu 2001). Also, the networks of the overseas Chinese are no longer restricted to the boundaries of the country they operate in. Kao (1993) asserted that through their networks, the overseas Chinese have been able to form a '*world wide web*' of business activity (Tsui-Auch, 2004).

A common way to conceptualise the business and social networks of the Chinese family enterprise, is to think of them as an extension to the family culture. Guanxi relations often govern both business and personal transactions among Chinese. Literarily, '*guanxi*' refers to drawing on ones connections in order to secure favours in organisational and personal relations (Kiong, 2005; Park & Luo, 2001; Ramasamy et al., 2006; Weidenbaum, 1996). Guanxi reflects the delicate fibres woven into every person's life and every aspect of Chinese culture. It operates in concentric circles, with close family at the core and friends and acquaintances at the periphery (Park & Luo, 2001). The distance between the relationship vary according to the degree of trust and reciprocity associated with it. By simultaneously easing the collection of information on government policies, market trends and opportunities and business operations and transactions (Ramasamy et al., 2006), '*guanxi*' can be used to mitigate institutional disadvantages, structural weakness and environmental threats and is thus considered the lifeblood of Chinese business communities (Park & Luo, 2001; Ramasamy et al., 2006; Weidenbaum, 1996).

A New Era of Networks

Over the past few decades the context in which the Chinese family enterprise has been undergoing considerable change. Within this new context, the traditional ways of doing business are rapidly disappearing (Ahlstrom et al., 2004). It has been suggested that the non-transparent corporate structures and the preference for closed kin and ethnic networks of the Chinese family enterprise are ill suited to the new global competitive landscape (Carney, 2005). It appears that the succeeding generations are about to inherit a system of business and pesocial networks much more suited for the miracle conditions and less suited to the emergent conditions (Carney 2005). It has been suggested that like business practices, the business and personal networks of the Chinese family enterprise are constantly evolving to the changing institutional and economic realities.

Carney (2005) argues that some enterprises develop long lasting network strategies related to their founding institutional context. As the enterprise develops and the surrounding context changes should it's networks. The governance structures of Chinese family enterprises are also undergoing rapid transformation as more and more enterprises begin to professionalise their management structures (Tsui-Auch, 2004) in response to institutional changes (Peng & Zhou, 2005). Thus differences in governance structures influences the manner in which an enterprise contract's with its external entities (Carney, 2005). Subsequently, Yeung (2006) showed an emerging trend among Chinese family enterprises is towards professionalisation and bureaucratisation and an increasing reliance on non-ethnic sources of finance. Nonetheless, Carney's (2005) approach only considered how changes in governance structures and institutional context influence on network evolution. Networks are not only the product of ones economic and social environment, but also the product of ones personal environment. The framework developed in this particular paper takes this into consideration (see Figure 1)

Similar to organisational level networks, an individual's networks are constantly evolving through ongoing interaction as relationships are either being constructed or reconstructed (Steier, 2001). More importantly the existing literature suggests that the networking activity of individuals is influenced by their personal attributes such as age, gender, educational and employment experiences. Furthermore, the second-generation entrepreneurs are likely to reflect this network evolution through configuring existing business and social networks or creating their own. As the Chinese family enterprise integrates its self into the larger culture it is expected that there will be greater variability in the adherence to traditional Confucian values and (Yan & Sorenson, 2006). This no doubt impacts on the way subsequent generations deal with how they deal with the previous generations networks members.

In addition consideration needs to be given to the educational attainment of subsequent generation. The higher education experience of the second generation both domestically (Tsui-Auch, 2004) and abroad (Kiong, 2005; Wai-chung Yeung, 2006) have directly influenced the development of their business and social networks. Such experiences have meant the second generation have experienced entirely different network socialisation patterns and haven't been able to develop their own unique business and personal networks often independently from the previous generation. Consequently, this subsequent generation are operating in far more complex networks comprising of both ethnic and non-ethnic networks (Janjuha-Jivraj, 2003). As a result of this, subsequent generations are less likely to share the same degree of emotional attachment and obligation to their ethnic networks as the previous generation did.

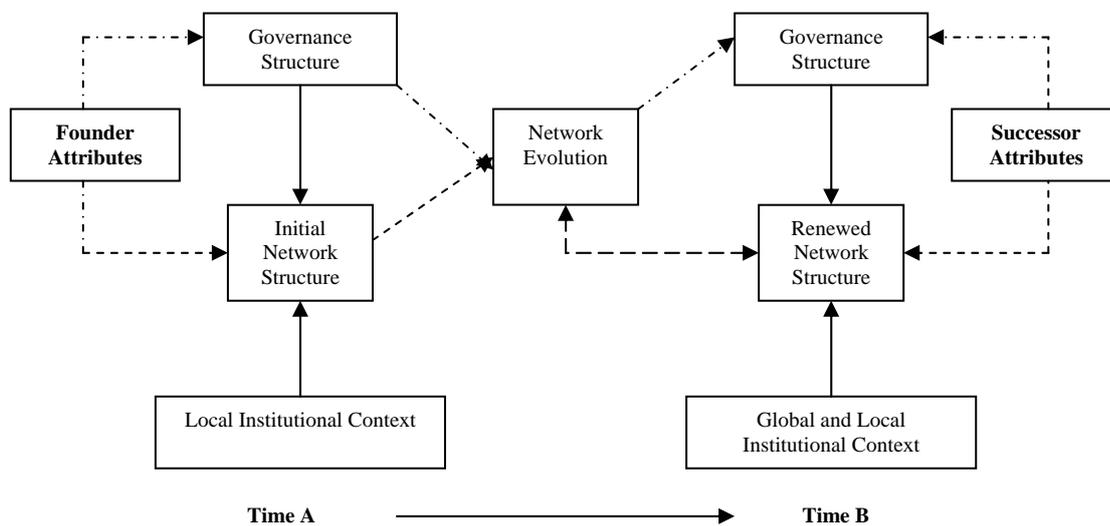


Figure 1 Institutional, governance and personal influences on business and personal networks
(Adapted from Carney 2005)

Succession in Chinese Family Enterprises

A popular adage among Chinese family enterprise is that the '*first generation lays the foundation, the second builds on it, and the third squanders*' (Kiong, 2005; Wai-chung Yeung, 2000b; Weidenbaum, 1996; Wong, 1985). This adage highlights the importance of succession as an issue and the magnitude of problems associated with it. It has been suggested that a strong adherence to Confucian ideology among Chinese family enterprises will ensure a smooth succession process through mediating key relationships and ensuring that it is the eldest son whom inherits the enterprise (Tsui-Auch, 2004; Wai-chung Yeung, 2000b; Wong, 1985; Yan & Sorenson, 2006).

Unfortunately this is not always the case as family enterprise succession is not all smooth sailing. Succession is a complex process involving numerous actors both inside and outside of the enterprise (Handler, 1994). However for Chinese family enterprise the issue of succession is further complicated by a certain degree of ethnicity, cultural and social traits and values such as Confucianism (Janjuha-Jivraj & Woods, 2002b; Yan & Sorenson, 2006). Recent research has indicated that a lack of formal succession planning and general Confucian values can further complicate the succession process (Kiong, 2005). Also, the strong family bonds formed as a part of Confucian values can be a source of unwanted conflict which can negatively influence the successors commitment towards the enterprise (Kiong, 2005; Lee, 2006). There are many instances where disputes and disharmonies between succeeding generations have resulted in the collapse of many successful Chinese family enterprises (Wai-chung Yeung, 2000b).

Succession is more than just a transfer of wealth and ownership between generations. For the Chinese, the family enterprise is considered as a strategic asset, in which the successor is responsible for safeguarding by ensuring its continuity (Tsui-Auch, 2004). In addition, succession also represents a process whereby both tangible and intangible resources are transferred between generations. One notable feature of the new global economy is that significant value creation resides within non-traditional assets such as networks and knowledge (Leana & Rousseau, 2000). Thus, within the context of this new global economy the successful transfer of networks, and the idiosyncratic knowledge contained within them (Cabrera-Suarez et al., 2001), are of particular importance when it comes to the survival and growth of Chinese family enterprise.

The business and personal networks, along with the knowledge contained within them, represent a significant strategic advantage for the Chinese family enterprise. However the intangible properties associated with such assets along with the overall complexity of the succession process can make the transfer of such assets extremely difficult between generations. However research suggests that a good personal and working relationship founded on sound communication between the successor and founder is of paramount importance to transfer of networks and knowledge (Cabrera-Suarez et al., 2001; Janjuha-Jivraj & Woods, 2002a; Steier, 2001). Unfortunately generational differences, with respect to educational experiences, values and attitudes and differences in management practices (Kiong, 2005; Tan & Fock, 2004; Wai-chung Yeung, 2006) often result in further undue stress on the relationship between the founder and the successor.

Business and Social Network Conflict among Chinese Family Enterprises

The following section intends to develop a conceptual model with respect to the emergence of conflict due to differences in networks between generations. The context of the framework is the succession process Chinese family enterprises. The succession process was chosen because it is a chaotic plagued with constant problems and conflict. It is also a process where new and existing relationships being put under close scrutiny (Bachkaniwala, Wright, & Ram, 2001). The model presented here deviates from existing approaches to resource transfer in two ways. Firstly it takes into consideration that both the founder and successor possess their own unique stock of networks and knowledge and brings them to the succession process (Cabrera-Suarez et al., 2001). Secondly, that the transfer of resources arises as a result of a strategic bargaining process between the founder and the successor. The model assumes that during the succession process the business and social networks of come into close proximity of one another and where differences between networks will become evident. Additionally, the model presented here postulates that dysfunctional conflict is likely to result when there is both a large difference between the business and social networks of the founder and the successor and when both parties cannot successfully combine or mitigate these differences. Based on the assumptions of the model the following propositions have been developed:

Proposition 1: Within Chinese family enterprises, the transfer of networks between the founder and successor is marked by a period intense activity on the relationship front.

Proposition 2: Differences between the founders and successor business and social networks will be further accentuated during the succession process.

Prior research suggest that the early exposure to the enterprise will ensure that the successor becomes familiar with networks of the founder (Varmaki et al., 2003). Yet, as mentioned previously the social, economic and familial experiences of successor has enabled them create their own personal and business networks. Likewise the succeeding generations may not share the same emotional and cultural attachment to the networks of the founder. In addition the model also suggests that business and social network differences will be the greatest, when the successor has spent time overseas either working or being educated (Steier, 2001; Wai-chung Yeung, 2006). With an overseas education and training, the successor is exposed to wider variety business practices and methods. Kiong (2005) suggests that such differences in attitudes towards management practices between generations often result in conflict. Therefore the ability of the founder and successor to work together and combine their respective networks, in order to mitigate such differences is of paramount importance.

Through combining their respective networks significant benefits can be derived to the family enterprise through synergy. The ability to successfully combine networks is partially dependent on both the personal and working relationship between the founder and successor (Kiong 2005) as well as external factors to this relationship. When the founder and the successor are unable to combine their respective networks, dysfunctional (affective) conflict is likely to emerge (Cosier & Harvey, 1998; Kellermanns & Eddleston, 2004). Additionally, the model suggests that the ability to individual networks may be hampered by the level of education received by the successor. Furthermore it can expected that when the successor has been educated overseas, there will be a greater difference between the networks and this will be reflected in the intensity of conflict. The often emotional and interpersonal nature of such conflict can have destabilising affect on the Chinese family enterprise.

Proposition 3: Combining networks represents a period of intense relationship activity where existing relationships are maintained, strengthened or culled and new relationships developed.

Proposition 4: Intense 'intergenerational network conflict' is more likely to lead to emotion based conflict between the founder and the successor.

Proposition 5: Chinese family enterprises that experience Intense 'intergenerational network conflict' are more likely to experience failure.

Proposition 6: Chinese family enterprise where the successor has received an overseas education are likely to experience greater levels of 'intergenerational network conflict'.

However, even when the founder and the successor set out to combine their respective networks conflict is still likely to emerge. Also this type of conflict is likely to be functional (substantive) than dysfunctional in nature. More importantly such conflict can have positive benefits for the Chinese family enterprise through the renewal and optimisation of existing networks structure. The conflict resulting from generational differences in networks 'intergenerational network conflict', i.e. conflict resulting from generational differences in the business and social networks between the founder and the successor, can have wide ranging implications for the family enterprise. Owing to space considerations, the following section considers only one such implication that may arise from 'intergenerational network conflict'.

Proposition 7: Moderate levels of 'intergenerational network conflict' can assist in the renewal and optimisation of existing networks.

Knowledge Transfer and Network Conflict

A key premise among the network literature is that networks can create privileged access to knowledge (Inkpen & Tsang, 2005). In rapidly changing business environments, such knowledge becomes one of the most important determinants of business success and survival (Cabrera-Suarez et al., 2001; Ramasamy et al., 2006; Varmaki et al., 2003). This paper suggest that the tacit knowledge embedded within in the founder of the Chinese family enterprise, which is partially developed in response to the external environment, forms part of the enterprises core capabilities and source of competitive advantage (Cabrera-Suarez et al., 2001; Yu, 2001). Furthermore the introduction of the second generation into the family enterprise involves the transfer of such knowledge. From a resource and knowledge perspective, the departure of the founder can have a detrimental impact on the knowledge base of the family enterprise (Tsang, 2002). Hence from a strategic perspective the effective transfer of such tacit knowledge through networks is of paramount importance to the survival and growth of the Chinese family enterprise.

This paper utilizes a model of knowledge transfer similar to that Cabrera-Suarez et al. (2001) which shows that the quality of the working and personal relationship between the founder and the successor can influence the transfer of tacit knowledge. However Cabrera-Suarez et al. (2001) model does not consider the possibility of conflict over networks as a factor affecting knowledge transfer. The business and personal networks of both the founder and successor can be considered as vehicles for the transfer of tacit knowledge between generations. Therefore it can be expected that differences in the business and social networks of founder and successor, and the resulting conflict from them can affect the transfer of tacit knowledge between generations (see figure 3). The model developed below considers both the direct effect and the indirect of *intergenerational network conflict* on knowledge transfer affect.

As the model indicates, *intergenerational network conflict* can affect knowledge transfer by altering the working and personal relationship between the founder and the successor. When the founder and the successor successfully combine their respective networks together, they are able to replenish the family enterprises existing stock of knowledge and core capabilities through the idiosyncratic knowledge contained within their respective networks. In terms of knowledge transfer outcomes this would be seen as an optimal solution. However the failure to properly combine both the founders and successor networks due to intense *intergenerational network conflict* can leave a gaping hole in the knowledge and core capabilities base of the family enterprise.

Proposition 8: For Chinese family enterprises the smooth transfer of networks and knowledge between generations is critical for the survival of the enterprise.

Proposition 9: Intense ‘intergenerational network conflict’ during the succession process is more likely to deplete the knowledge stock of the Chinese family enterprise.

Proposition 10: Moderate levels of ‘intergenerational network conflict’ during the succession process is more likely to lead to a replenishment and upgrading of the Chinese family enterprise stock of knowledge and core capabilities.

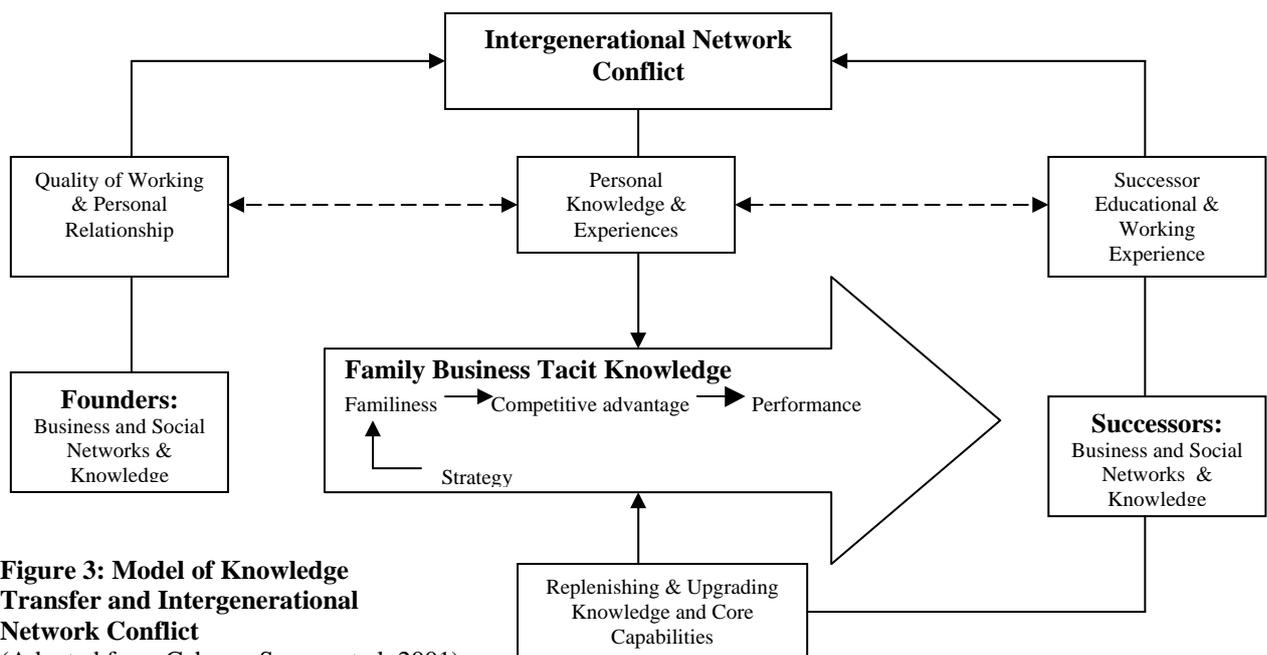


Figure 3: Model of Knowledge Transfer and Intergenerational Network Conflict
(Adapted from Cabrera-Suarez et al. 2001)

Conclusion

The business and social networks and knowledge of individuals can be considered as context specific asset. For Chinese family enterprises specific advantages often reside in the networks of founder. It can be argued that the departure of the founder represents a critical loss of knowledge and networks. With many Chinese family enterprises expecting to undergo some sort of ownership and resource transfer in the near future, the process of transferring networks and knowledge between generations becomes of paramount importance to the continued survival of the enterprise and the family. However, generational differences in the formation of business and social networks have meant the transfer of such networks between generations is often problematic. The paper has argued that the conflict stemming from the transfer of networks can leave large gaping holes in the networks and knowledge base of Chinese family enterprise. These holes are likely to severely affect the ability of Chinese family enterprise to compete in the new global economy, where significant value resides in resources like knowledge. Consequently Chinese family enterprise that can successfully mitigate such conflict along with potential network and knowledge loss can expect to survive and outperform those enterprises that do not so (Bamford, Bruton, & Hinson, 2006).

The conceptual paper provided an initial step towards understanding the emergence of conflict from the transfer of networks and how such conflict can affect knowledge transfer between generations. In particular, the concept of '*intergenerational network conflict*' was introduced and a number of propositions developed around it. However, one must bear in mind that this is only an explorative study and mostly qualitative in nature and hence suffers from certain limitations. Future studies can benefit greatly by incorporating empirical techniques to determine the actual extent of conflict generated from differences in founder and successor business and social networks network during succession. In a similar vain, future studies may consider adding additional dimensions to the model developed here by taking into consideration, how different types of succession, eg rushed or sudden and immersed affect the emergence of conflict over networks.

Although this paper was based mostly on overseas Chinese family enterprises, it has very important implications for future study on ethnic family enterprises and succession. Future research can benefit greatly from exploring how the ethnic business and social networks of the founder and successor may actually facilitate the succession process by ensuring a smooth transition between generations. In the same way, research can also benefit from further exploring and empirically testing the role of conflict in the transfer knowledge between generations. A particular area of focus could be to explore which types conflict are likely to be present during the succession process and how such types of conflict affect the type of knowledge, eg tacit or explicit, being transferred.

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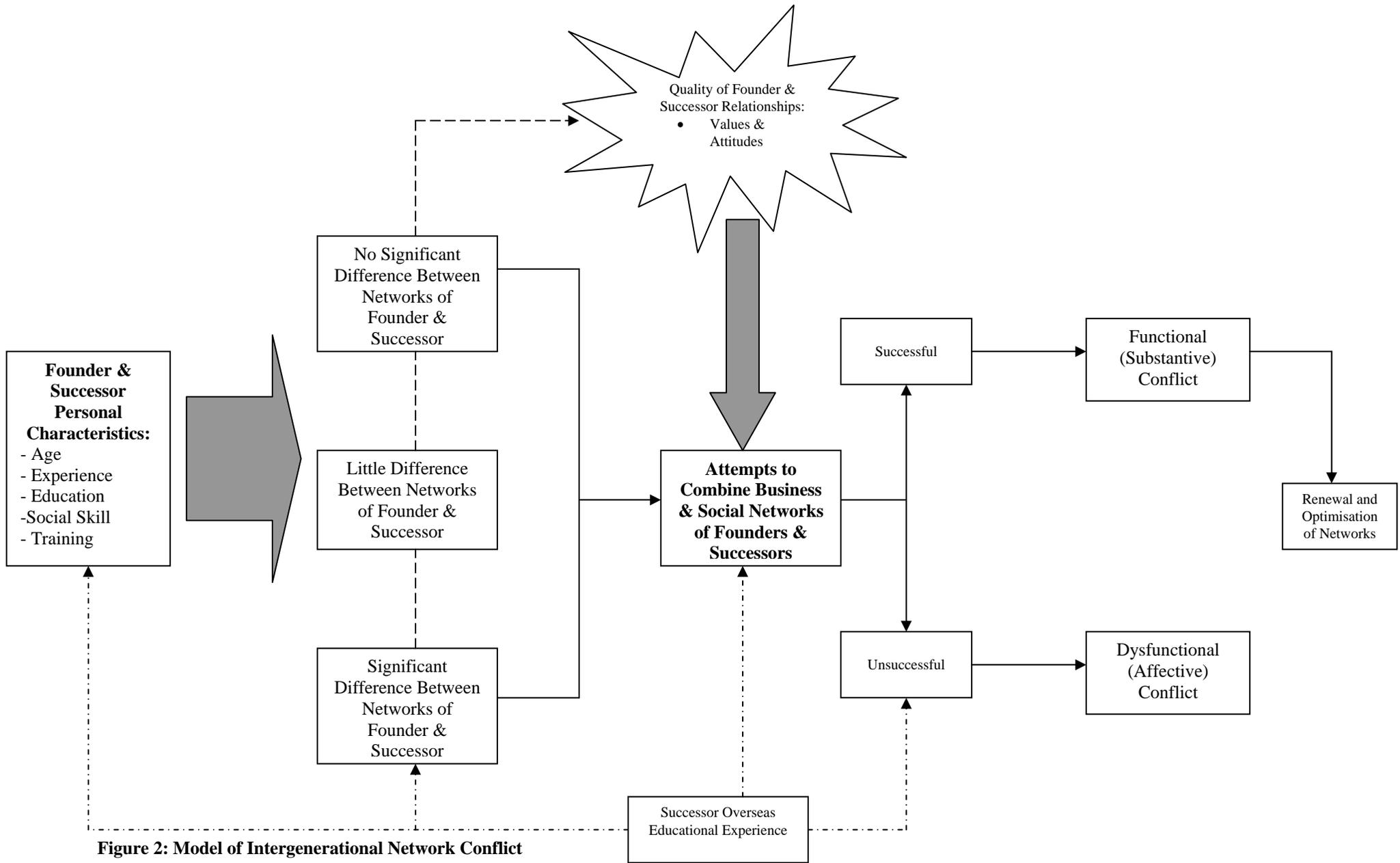


Figure 2: Model of Intergenerational Network Conflict