

Does Intergenerational Leadership Hinder the Realization of Innovation Potential? A Resource Orchestration Perspective

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Abstract

This study examines the impact of intergenerational leadership on innovative capability and business performance. Applying a resource orchestration perspective to data from 531 family businesses in China, the results suggest that innovative capability is positively related to growth performance of family businesses. Furthermore, family businesses in solo control by one generation demonstrate a higher positive relationship between innovative capability and performance than those jointly controlled by two generations. This suggests that intergenerational leadership hampers the realization of the potential of innovation.

Key words: Family business, innovative capability, intergenerational leadership, performance, single child policy

Introduction

Family businesses play a crucial role in most economies worldwide and contribute significantly to employment and wealth creation (Astrachan & Shanker, 2003; Chirico & Nordqvist, 2010; De Massis et al., 2015; Decker & Gunther, 2017; Rondi et al., 2018). There is a growing body

of evidence showing that family businesses are able to leverage innovation for competitive advantage (Chrisman, Chua et al., 2015; Chrisman, Fang et al., 2015; De Massis et al., 2015; Hatak et al., 2016). However, studies of innovation in family businesses are largely restricted to Western countries, while other contexts, notably China, have received little attention. China has witnessed rapid economic growth in the past four decades. Government policies since 1979 have encouraged more private enterprises, which now help drive economic growth. This economic development however has slowed since 2015, mainly because of sluggish demand in internal market and tough trade barriers in international markets. Necessity has thus made innovation an emerging priority on the economic development agenda. In October 2015, China's Premier, Keqiang Li, indicated that continued economic growth will depend upon *mass innovation and entrepreneurship* (State Council, 2015). Given that family businesses contribute about 60 percent of GDP and represent over 80 percent of non-public enterprises in China (China Industry & Commerce Association, 2007; Ye et al., 2013), understanding Chinese family businesses and their innovation has become crucial.

A firm's innovative capability has long been recognized as a critical asset that creates value and enables the firm to extract rents (Rubera & Kirca, 2012). Through innovation, the firm gains a temporary advantage in the marketplace (Schumpeter, 1942), while continued innovation in the form of new products and services may turn this temporary gain into a long-term superior standing (Rubera & Kirca, 2012). Notwithstanding these benefits, family businesses are found to invest less in innovation (Gomez-Mejia et al., 2014; Matzler et al., 2015; Duran et al., 2015; Migliori et al., 2020), because of their pursuit of non-economic goals (Gomez-Mejia et al., 2007) and their concern over maintaining managerial and ownership control (Carney, 2005). Aronoff and Ward (1995), Hall et al. (2004), and Naldi et al. (2007) found that family businesses are conservative and resistant to change. König et al. (2013) claimed that family businesses take longer to decide whether to implement a discontinuous

technology. Despite such understanding, the knowledge of family business innovation overall is still limited (Rondi et al., 2018). In particular, it is unclear whether innovative capability is associated with performance in family businesses, as is the case in non-family businesses. Hatak et al. (2016) argued that clarifying this relationship is important “not only for the development of individual firms but also for the economy as a whole” (p.120).

Additionally, succession is crucial to family businesses. Succession normally involves an intergenerational leadership phase in which decision-making authority is shared between two generations, as a transition between outright control by one generation and the next. Intergenerational leadership is often accompanied by goal diversity (Kotlar & De Massis, 2013; Hauck & Prügl, 2015). This is because the older generation, due to their psychological and emotional attachments, is often unwilling to relinquish power (Kets de Vries, 1993), while the younger generation seeks to demonstrate their competence and build their reputation (Hauck & Prügl, 2015). As a result, intergenerational leadership may not be fruitful.

In China, many family businesses established since the beginning of economic reform are now entering the intergenerational leadership stage. The younger generation, having on average benefited from greater wealth, more education and in many cases, and education in Western countries, however is reluctant to lead the often small-scaled, low-tech family businesses. Additionally, growing up in times of intense economic, social and technological reforms has enlarged the distance between generations, making intergenerational leadership problematic. This issue is exacerbated by the single-child policy introduced in 1979, which is often blamed for creating a generation of *Little Emperors* (and *Little Empresses*), doted on by parents and consequently self-centered, materialistic and unwilling to take responsibility (Shao & Herbig, 1994; Cameron et al., 2013).

From this starting point, we set out to disentangle family business innovation by asking two questions: a) what is the relationship between innovative capability and performance, and

b) how does intergenerational leadership affect the nexus of innovative capability and performance? We address the two questions by drawing upon the Resource Orchestration Theory (ROT) (Helfat et al., 2007; Sirmon et al., 2011). ROT claims that to achieve success, the unique resources controlled by an organization (Helfat & Peteraf, 2003) need to be effectively leveraged, while the success of leveraging depends on the integration of mobilization and coordination mechanisms. Mobilization can be defined as an organizational plan or vision to realize the potential of capabilities (Sirmon et al., 2011), while coordination refers to mechanisms that configure resources in a way that creates synchronization between actors (Helfat et al., 2007). ROT views the role of management as a coordinating mechanism that leverages a firm's resources (Hughes et al., 2018; Candi and Beltagui, 2019). It emphasizes the use, rather than only possession, of resources as a source of competitiveness (Sirmon et al., 2011; Chirico et al., 2011). We propose that mobilizing innovation motivates family firms to use their unique sets of resources to pursue new products and services and improve their performance. We further argue that goal alignment during intergenerational leadership, as a coordinating mechanism, is necessary to ensure the commitment of the family and staff members to the mobilized vision (Villanueva & Sapienza, 2009; Rondi et al., 2018). Using a sample of 531 family businesses in China, we find that innovative capability is positively associated with business performance. In addition, we observe that family businesses controlled by one generation demonstrate a higher positive relationship between innovative capability and performance than those with two generations in control.

The study makes important contributions to knowledge in the following important ways: Firstly, it extends knowledge on innovation in family businesses through evidence that intergenerational leadership decreases the strength of the relationship between innovation capability and family business performance. Secondly, it explains this effect through ROT as a theoretical framework, which has had only limited prior application (for example, Chirico et

al., 2011) in the family business context. The results suggest mobilizing innovative capability can be associated with performance, while coordinating actions can moderate this effect. Thirdly, this study is among the first to examine the impact of social changes caused by the single-child policy on the ability of Chinese family businesses to innovate. Examining the context of China's private sector helps to shed light on how socioeconomic change affects innovation and business continuity in family businesses. Finally, it contributes to the literature on heterogeneity of family businesses, offering avenues for further studies to explain how and why they differ.

In the next section, we combine sociological research on the Chinese post-1980s generation with ROT to develop hypotheses. The method and results of testing the hypotheses are presented and discussed, leading to proposed managerial implications and directions for future research.

Background

Resource-based view and resource orchestration

Since the seminal work of Wernerfelt (1984) and the further development by Barney (1991), the resource-based view (RBV) has become a powerful theoretical framework. RBV theorists believe that if a firm possesses resources of value, rarity, inimitability, and non-substitutability (VRIN), it will have opportunities to achieve competitive advantage and superior performance (Barney, 1991). RBV was later challenged by Teece, Pisano and Shuen (1997), Helfat (1997) and Eisenhardt and Martin (2000) who argued that in a dynamic market environment, the VRIN resources do not persist over time and the ownership of VRIN resources cannot sustain the achieved competitive advantage. Researchers realise the capabilities required to achieve competitive advantage in this type of market differ from the earlier concepts such as core competence (Prahalad and Hamel, 1990), distinctive competence (Learned et al., 1969), and

combinative capability (Kogut & Zander, 1992). Teece, Pisano and Shuen (1997) coined this as dynamic capabilities.

Sirmon et al. (2007), similarly concerned with the limitations of RBV, developed the resource management framework. They argued that in value creation and competitive advantage development the most important factor is not *which* resources are controlled but *how* they are managed. Around the same time, Helfat et al. (2007) proposed the asset orchestration framework based on research in relation to dynamic capabilities. According to Helfat et al. (2007), to create value and develop competitive advantage, managers need to continuously (a) identify and make investments in assets, design organizational structures, and initiate new business models; and (b) configure deployment process (cf. Badrinarayanan, Ramachandran & Madhavaram, 2015). In fact, both frameworks emphasise managers' resource-related actions and draw attention to the role that managers play in accumulating and allocating resources. However, the foundation of resource management is mainly on RBV, while asset orchestration relates more to dynamic capabilities (Adner & Helfat, 2003). The notion of resource orchestration (Sirmon et al., 2011) integrates resource management and asset orchestration. ROT stresses that "...it is the combination of resources, capabilities, and managerial acumen that ultimately results in superior firm performance" (Chadwick et al., 2015, p.360). This provides a comprehensive theoretical lens, enabling us to better understand how managers affect a resource-based competitive advantage (Badrinarayanan et al., 2015).

Sirmon et al. (2011) perceived resource orchestration as a combination of structuring, bundling and leveraging of resources. That is, through continuously structuring resources based on the nature of the company and its changing environment, bundling resources in a logical manner, and leveraging these resources in the dynamic market, managers may enable their companies to achieve competitive advantages and superior performance (Helfat et al., 2007; Chirico et al., 2011). Of the three processes of resource orchestration, the leveraging process

is perhaps most crucial, because it enables firms to use their structured and bundled resources, assets and capabilities to eventually realize performance effects (Hitt et al., 2011). Chirico et al. (2011) indicated that there are two critical elements in leveraging: mobilization and coordination. Through mobilization, managers can show a “vision” to the firm on how resources will be used for effective leveraging (Helfat et al., 2007). In a changing market, managers have to continuously work out which field a family business should focus on, how the business should function in the selected field, and what are the relationships between managerial decisions, strategic changes, and organizational performance (Helfat & Martin, 2015). Mobilization can also guide the business “to identify the capabilities needed and to design the capability configurations necessary to exploit opportunities in the market and gain a competitive advantage” (Sirmon et al., 2007, p.284). Coordination is “the process of integrating identified capabilities into effective yet efficient capability configurations” (Sirmon et al., 2007, p.277). Hansen et al. (2004) argued that coordination is an ability to configure resources in a way that creates synchronization between actors. This means coordination across the depth of the firm, between levels in the organizational hierarchy (Chadwick et al., 2015); across the breadth of the firm, between business functions, processes and technologies (Liu et al., 2016); or across the lifecycle of the firm. The latter is particularly relevant to family businesses, in which resource orchestration entails coordination between generations in control (Chirico et al., 2011).

Single-child policy in China

China introduced the single-child policy in 1979. While it enabled the country to control the population growth, the policy has been criticized “for violating fundamental human rights... as well as for reducing family stability and accelerating aging populations” (Cao et al., 2015, p. 317). This policy was formally phased out in 2015 due to concerns over demographic change.

Irrespective of this abolition, the policy has resulted in unintended social consequences in Chinese families as well as family businesses. One of the direct impacts is the insufficient supply of offspring and talent required by family businesses. Given the criticality of succession and challenges such as high agency costs of external managers and poor institutional support (Cao et al., 2015), the effects of the single-child policy cannot be overlooked.

Moreover, the single-child policy has been criticized for creating a generation of *Little Emperors/Little Empresses* (Shao & Herbig, 1994). Empirical evidence suggests those who are single children in their families are more selfish, more irresponsible and less competitive (Jensen et al., 2011; Cameron et al., 2013), and this is associated with parental altruism. Altruism is “a moral value that motivates individuals to undertake actions that benefit others without any expectation of external reward” (Schulze et al., 2002, p. 252). Parental altruism has both bright and dark-side attributes (Lubatkin et al., 2005). On the bright side, parents love their children and care about their development. Children therefore receive education and investments in their personal development (Eshel et al., 1998). When families only have one child, the investments tend to intensify, since the single child bears the whole family’s future expectations. On the dark side instead, parental altruism is often uni-directional and asymmetric (Chua et al., 2003). Dawkins (1989) indicated that there is “the fundamental asymmetry in the parent/child relationship. Parents care more for their children than children do for their parents” (pp. 106–107). By doing so, parents subconsciously encourage children to free-ride or shirk responsibilities (Lubatkin et al., 2005). The younger generation therefore is likely to be spoiled (Buchanan, 1975), with potential consequences for society as a whole and for family businesses in particular. An experiment comparing Chinese participants of pre and post-1980s generations shows the latter to be more risk-averse, less competitive, and less conscientious individuals (Cameron et al., 2013). If such findings are generally true, Chinese

family businesses risk their continuity to a generation unwilling or unable to tackle the requisite managerial challenges.

Hypotheses

Innovation in family businesses

Family business research increasingly focuses on the subject of innovation (Hauck & Prügl, 2015; De Massis et al., 2015; De Massis et al., 2016; Rondi et al., 2018), though there is conflicting evidence in the literature. Some researchers find family businesses are inward looking, conservative (Aronoff & Ward, 1995), and resistant to change (Hall et al., 2004), while others believe that family firms are more competent in transforming their resources into innovation outputs than non-family firms (Craig & Dibrell, 2006). De Massis et al. (2014) explained the conflicting results by identifying that “willingness and ability are necessary but individually insufficient conditions” (p.345) to innovation. This conclusion aligns with ROT in suggesting that to innovate, family businesses should first mobilize a clear vision before they take the journey. When family businesses mobilize innovation, because of their interests in economic and non-economic utilities (Gomez–Mejia et al., 2007; Kotlar et al., 2018; Bauweraerts et al., 2019), they will coordinate resources and be more efficient in innovation (Duran et al., 2015).

Kotlar et al. (2014) highlighted that profitability is prioritized in family businesses’ decision-making, because economic success is a prerequisite for survival while under-performance is a threat (cf. Chrisman & Patel, 2012). In fact, family businesses are interested in continuity (Miller & Le Breton-Miller, 2005; Berrone et al., 2012; Röd, 2016). Mobilizing innovation may serve this strategic interest, as innovation in the long run benefits family businesses (Hatak et al., 2016; Craig & Dibrell, 2006). When innovation is mobilized, family businesses may realize the benefits of their intrinsic advantages. McConaughy and Phillips

(1999) showed founders are good at recognizing and exploiting opportunities in the market. They are capable of translating opportunities into new products and services. Chrisman and Patel (2012) recognized that family business owners, compared to owners of non-family businesses, have the ability to coordinate a superior level of resources for innovation. Zahra et al. (2008) found family businesses often have a flexible structure and enjoy the privilege of centralized decision-making. Mintzberg (1979) stated that informal decision-making, flexibility in processes, and open channels of communication are all conducive to innovation.

Mobilizing innovation can improve a firm's technological competency, increase its likelihood of developing new products and services, and offer opportunities to keep abreast of the latest technical developments (Deeds & Decarolis, 1999; Kotler et al., 2014). The extant literature has shown evidence, supporting the nexus between innovative capability and business performance, though this is not unequivocal in the family business context. Kellermanns et al. (2012) and Hauck and Prüggl (2015) found that mobilized innovative capability allows family businesses to adapt to change and exploit entrepreneurial opportunities. Initiating new products, services and technologies creates a temporary advantage for the innovator that stimulates economic development by forcing competitors to strive for parity (Schumpeter, 1934; Rothwell, 1992). Given the uncertainty in modern commercial environments, the ability to innovate is now viewed as crucial to business performance (Sirmon & Hitt, 2003; Casillas & Moreno, 2010). In this paper, we seek empirical confirmation of this nexus in family businesses by putting forward the following hypothesis:

H1: Innovative capability is positively associated with performance of family businesses.

Innovation during intergenerational leadership

Succession is a unique characteristic of family businesses (Le Breton-Miller et al., 2004; Nordqvist et al., 2013), resulting from a family's lucid intent to sustain its ownership (Miller

& Le Breton-Miller 2005). While succession is crucial to family businesses (Wennberg et al., 2011; Zyburg et al., 2020), most of successions include an intergenerational leadership stage. During this phase, the two generations are supposed to share knowledge, engage in dialogue on innovation, and jointly build, integrate, and reconfigure resources, assets, and capabilities to facilitate innovation (Adner & Helfat, 2003), if they intend to unlock the potential of the mobilized innovative capability.

The nature of intergenerational leadership is influenced by two family related factors, namely family cohesion and family goal diversity (Rondi et al., 2018; Lee, 2006; Olson et al., 1988). Family cohesion stems from “emotional bonding that family members have towards one another” (Olson, 2000, p.145). Greater cohesion nurtures the younger generation’s loyalty to the family (Vozikis et al., 2013) and inspires their responsibility to look after the business. Family cohesion can also result in a high level of consensus and emotional closeness within a family, thus subjugating agency behavior (Corten et al., 2017). In highly cohesive families, reciprocal and stewardship behavior pervades. Family members across generations are prone to share experiences (Rondi et al., 2018), networks, and tacit knowledge, which is conducive to innovation. In a single child family, family cohesion is arguably high, due to the absence of sibling rivalry. Parents extensively discuss expectations with their children (Olson et al., 1988; Lee, 2006). This catalyzes the children’s commitment to family businesses and motivates them to work closely with their parents.

Family goal diversity on the other hand refers to “the width of the range of organizational goals diversity actively pursued by members of a family business” (Kotlar & De Massis 2013, p.1274). Salvato (2004) found the younger generation is more interested in pursuing their own entrepreneurial opportunities. They often seek new initiatives, knowledge and resources in the market (Aldrich & Cliff, 2003; Carney, 2005), while the older generation is more path-dependent (Sydow et al., 2009; Hauck & Prügl, 2015). The older generation has

invested in relationship construction with stakeholders over years. They seek the benefits of the connections they have formed (Miller & Le Breton-Miller, 2005), although over-reliance on selected stakeholders may result in “tunnel vision” (Finkelstein & Hambrick, 1990) or rigid mental models (König et al., 2013). Moreover, the younger generation seeks to develop themselves and build up their reputation in the family business. Successful changes catalyzed by them can foster their feeling of achievement (Rau et al., 2019), thus they are likely to challenge the status quo erected by the older generation (Hauck & Prügl, 2015). Villanueva and Sapienza (2009) noted that when family members strive for a wide spectrum of individual goals, contention and conflicts occur.

In China, goal diversity during intergenerational leadership is to be expected. This is not only because of the reasons mentioned above, but also because the single-child generation is imprinted by the years they were born and grew up with, which feature radical changes as a result of globalization and the development of internet-based information technology (Liu et al., 2019). Globalization and the virtual world have made young people more skeptical about traditional values and norms (Fong, 2004). While their parents may view Western culture as decadent and hedonistic, the younger generation is more eager to adopt Western cultural practices and symbols (Cheng & Berman, 2012). Indeed, Chinese young people may be culturally nearer to their Western contemporaries than to previous generations in China (Egri & Ralston, 2004). These characteristics may help China’s endeavor to maintain its competitiveness through innovation (Abrami et al., 2014). Yet they can also lead to goal diversity and subsequent discord between the generations. Furthermore, the single children, since childhood, have been doted on by their families and are accustomed to a pattern of constantly receiving benefits, while not necessarily understanding “the value of deferred gratification and reciprocity or the consequences of selfish behavior” (Lubatkin et al., 2005, p.323). Cameron et al. (2013) found that those born after the single-child policy took effect are

more self-centered and less cooperative. This may create barriers between the two generations during intergenerational leadership. Hauck and Prüggl (2015) further indicated that the roles of the two generations are unlikely to be as clearly defined during intergenerational leadership as those at the solo leadership stage. Thus, the exchange of information and business initiatives between the two generations is less likely to be productive (Zahra et al., 2004), leading to more diversity.

Drawing upon ROT, we argue that while mobilizing an innovation vision may offer performance outcomes for family businesses, coordination during intergenerational leadership is essential. Given the noted change in outlooks of generations born before and after 1979 (Cameron et al., 2013), intergenerational leadership can be expected to lead to goal diversity. The strength of this goal diversity during intergenerational leadership may even outweigh that of family cohesion. Thus, those family businesses under intergenerational leadership may pursue conflicting strategies and opportunities (Aldrich & Cliff, 2003; Carney, 2005), deploy divergent resources for activities (Sydow et al., 2009; Hauck & Prüggl, 2015), and follow incoherent approaches to operations. In these conditions, innovative capability may not lead to a high level of performance. On the contrary, in those family businesses under solo control by one generation, the concentrated decision-making authority enables the firm to pursue clear strategic goals, configure appropriate resources, and operate the business with efficiency and stamina. In this case, motivating, enabling, and fostering innovative capability is directly related to optimal performance. Prior research (Kellermanns et al., 2012) already hints that innovative family businesses perform more poorly when two generations share control. This leads us to posit the following hypothesis:

H2: Family business control pattern moderates the nexus between innovative capability and business performance. That is, family businesses in solo control by one generation are

likely to have a more positive relationship between innovative capability and performance than those jointly controlled by two generations.

Research Methodology

Sample and data

The hypotheses described above were tested using survey data collected from Chinese family businesses. Research on innovation in Chinese family businesses is crucial not only because of the role of innovation in family businesses' long-term survival, but also because family businesses in China are woven into a unique social-cultural-economic fabric. Any knowledge advancement of this sector from China can help us understand family businesses and the differences between them, at a global level.

Tan (2002) in his study of China as a transition economy stated that one reason why the Chinese context has not been hitherto well studied is that large-scale business-level data collection is arduous to execute. There is no official business database available that can grant researchers access to detailed business information from which to sample and survey. Many studies so far performed in China have followed the case approach, with the accompanying constraints on generalizability. Survey-based quantitative studies on the other hand are intermittently conducted, primarily at the regional level, which do not contribute in a coherent manner to portraying a national picture of family businesses.

The study followed a snowball sampling procedure, with contacts of two prestigious Chinese Universities used to distribute questionnaires, to identify suitable respondents. A total number of 3,000 businesses were initially contacted. They were located in cities of Beijing and Tianjin (two out of the four municipalities directly-governed by the central authority) and provinces of Zhejiang, Guangdong, Jiangsu, Shandong, Guangxi, Guizhou, Xinjiang, Inner Mongolia, Ningxia, Henan, and Yunnan (11 out of the entire 28 provinces and autonomous

regions). For screening purposes, businesses were asked to complete the questionnaire only if they matched the definition of family business based on Leach et al. (1990) (that is, a family business is a business in which *more than 50 per cent of the voting shares are controlled by one family, and/or a single family group effectively controls the business, and/or a significant proportion of the senior management is members from the same family*). For publicly listed businesses, a cut-off point of 10 percent of family ownership is often used to define a family business (Astrachan & Kolenko, 1994). In the current study, we used 50 percent as the threshold, which was deemed appropriate for small and medium sized private businesses. Other sampling criteria adopted included that businesses should be private and small to medium sized (in this study, we consider small and medium sized companies as those with fewer than 1000 employees). Six weeks after the initial contact, to improve the response rate, non-respondents were approached again. After the two-round contacts, a total of 1,088 responses were received and the response rate was 36.3 percent.

Non-family businesses and incomplete responses were excluded, leading to 628 usable responses, of which many were young firms. Since the study aims to investigate impact of intergenerational leadership, innovative capability and business performance, we therefore decided to retain businesses more than five years old. This reduced the sample to 531 businesses. To assess the possible non-response bias, 428 early and 103 late respondents were compared on demographic variables, such as business size, age, sector, and generation in control (Stanley & Wisner, 2001). The statistical results showed no significant differences between the two groups of respondents at the 0.05 level.

The study was a part of a research project comparing family businesses between China and Britain. The questionnaire was developed in English and then translated into Chinese through a translation and back-translation procedure by academics in China and Britain. Following the initial translation, the questionnaire was pilot-tested by 50 family businesses in Shandong

province. Their comments on content of survey instrument, wording of items, and clarity of questions were taken into account by the authors through amendments.

Table 1 – Profile of the Sample of Family Businesses

Demographic variables	Percentage
Sectoral distribution	
Agriculture	7.1
Manufacturing	40.3
Construction	9.2
Retailing and wholesaling	11.8
Professional service	16.8
Hotels and restaurants	10.7
Transport and distribution	4.2
Age of business (years)	
0-9	27.9
10-19	61.4
20-29	8.9
30+	1.9
Size of business (number of employees)	
0-9	4.3
10-19	4.9
20-49	16.6
50-249	54.4
250+	19.8
Generation in control	
1 st	71.4
1 st +2 nd	23.0
2 nd	5.6

Table 1 presents the profile of the sample companies, whose main characteristics are summarized as above. Firstly, where sectoral distribution is concerned, the statistics show that the companies responded are more prolific in traditional manufacturing (40.3 percent) and professional services (16.8 percent), while firms in agriculture (7.1 percent) and transport and distribution (4.2 percent) are sparse. The sample captures the sectors in which intense innovation would be expected, namely manufacturing and professional services, while agriculture and transport and distribution are associated more with cost efficiency than innovation. Additionally, the sample reflects the economic structure of contemporary China, where the national economy has a strategic concentration on manufacturing. The service sector, on the other hand, has only begun to grow substantially in the last two decades as a consequence of increasing market demand for specialized services and the growth of consumerism.

Secondly, in terms of business maturity, the majority of the respondents are relatively young. 27.9 percent of the sampled firms were less than 10 years old and 61.4 percent between 10 and 19 years old at the time of data collection. China initiated its economic reform in 1979, when the governmental institutions recognized the potential contribution of the private economy and deliberately altered their policies (Wang et al., 2014). Later on, in the 1990s the globalization pressure further induced China to align its economy with the international market, with respect to entrepreneurship and private ownership (Kshetri, 2007). In 1992, Deng Xiaoping made his renowned eulogy that “being rich is glorious”, showing a fundamental strategic alteration at the national level (Wang et al., 2014). The majority of businesses in the sample are governed either entirely by the first generation (71.4 percent) or jointly by the first and second generations (23.0 percent). This again mirrors the short family business history in China. From the foundation of new China in 1949 to 1978, entrepreneurship and private economy had been a political taboo (Kshetri, 2007). The family business economy was prohibited by the governing regime, despite China being a prominent economic force for centuries and the private economy having been prosperous under many dynasties’ imperial governance (Wang et al., 2014). Finally, in terms of size, most of the respondents fall into the size band of 50-249 (54.4 percent), which is larger than what would be expected in a comparable sample in the West. The fundamental reason for this distinction is because of the larger Chinese population.

Variables and constructs

Dependent variables

To examine the relationship between innovative capability and performance, business performance as a dependent variable was indexed by the firm’s sales revenue growth and employment growth in comparison with industrial competitors. Storey and Greene (2010) stated that growth is the most common performance measurement in entrepreneurship studies,

whilst financial ratios may not appropriately reflect the performance of small-sized firms, because they are subject to parameter selection, as well as sectoral differences. In this paper, sales and employment growth were employed (Wiklund & Shepherd, 2005; Storey & Green, 2010). Sales growth, which effectively reflects the business' competence in dealing with market-related competition, is the most common measure used in the literature. The incorporation of employment growth reflects the fact that in the private sector, the employment figure usually is counted as a genuine indicator. Entrepreneurs do not deem it as confidential and are willing to disclose this information (Storey & Greene, 2010). In this study, a 7-point Likert scale was used (1- much worse than major competitors in the industry and 7- much better than major competitors in the industry), inviting respondents to evaluate their own sales and employment growth performance.

Independent variable

When investigating innovation and its impact on business performance, Hurley and Hult (1998) and Hult et al. (2004) introduced two constructs pertaining to innovation, namely innovativeness and capability to innovate. They perceived innovativeness as a notion of openness to new ideas that is an aspect of a firm's culture, and of capability to innovate as a firm's competence in adopting or implementing new ideas, processes or products. Calantone et al. (2002), instead of separating the two constructs, combined them together as *innovativeness*. Hence the notion of innovativeness in Calantone et al. (2002) represents both a firm's cultural stance and its capability.

The current study aims to investigate the relationship between innovative capability and business performance. We conceptualized the notion of innovative capability from two angles, similar to Calantone et al. (2002). First, we viewed it as an organization's cultural stance. Drawing upon ROT, we argued that mobilizing innovative capability is a firm's cultural stance

or a direction the firm strives for. It enlightens the way the firm uses its explicit and tacit knowledge and other resources to achieve competitive advantages. Second, we reckoned innovative capability as a behavioral variable, that is, the rate of introducing new changes by the firm. The construct is composed of five items (see appendix). The Cronbach alpha score of the construct is .730, which suggests reliability. The satisfactory Cronbach alpha score also implies the internal consistency of respective items in the construct.

Moderating variable

The moderating variable control pattern was measured by a dummy variable, where 0 represented that a family business was in solo control by one generation (either the first or second) and 1 meant that the firm was jointly managed by two generations. Arrondo-García et al. (2016) in their study of family business performance during the global financial crisis investigated the moderating effect of the control pattern similarly. They identified that during the crisis, family businesses controlled by the first generation committed more resources, took greater risks, and achieved higher growth than those in hands of the second-and-beyond generation.

Control variables

We controlled variables that could influence the associations between innovative capability and business performance. These control variables included business sector, size, age, ownership in control, and family business objective. For operational purposes, business sector was represented by dummy variables. For example, 1 and 0 were used to represent manufacturing and non-manufacturing sector respectively and the same coding was applied to other sectors. Business size in this study was measured by the common logarithm of total number of full-time employees. Business age was measured by the years the company had been

in the market. The ownership in control variable was measured by percentage of ownership controlled by the family. For family business objective, we followed the way of measuring in Wang and Ahmed (2009). Respondents were asked to allocate 100 points between two descriptions depending on how they perceived the statements similar to their own business situation. For example, if a firm perceived itself similar to Company A (that is, a business strongly family-oriented) and only remotely like Company B (a firm strongly business-oriented), one could distribute 85 points to Company A and 15 points to Company B. Having acquired the two scores from each firm, we used the score of the family-oriented part (points allocated to Company A) to divide that of the business-oriented part (points allocated to Company B) to generate a strategic objective variable. The higher value the quotient, the more family-oriented the business was. Conversely, the smaller the quotient, the more business-oriented the business was. An extreme case to consider was that if a respondent allocated full points to Company A and zero to Company B, the quotient of 100 divided by 0 did not exist. Under this circumstance, the quotient was set up at 100, which meant that the firm was entirely family-oriented.

Common method bias

Podsakoff et al. (2012) indicated that when survey data are collected in a cross-sectional manner and via self-administration, common method bias owing to multiple sources such as consistency and social desirability may exist. This bias may inflate or deflate relationships among variables, resulting in misleading research findings. In the current study, the common method bias however was not deemed as a threat, since there was only one construct concerned, that is, innovative capability. The likelihood that the bias occurred was at a minimal level.

Endogeneity

Innovative capability may positively influence, as hypothesized in the study, business performance measured by sales and employment growth, but a reverse logic may also exist. That is, superior business performance enables a company to own adequate resources, and hence be able to invest in innovation. Simultaneous causality is also a source of endogeneity, thus biased results may arise. In this study, to investigate the potential endogeneity problem, the Hausman test was executed (Chua et al., 2003; Poutziouris et al., 2015). The instrumental variable selected was education level of the owner-manager. This was because the variable was recognized to be correlated with innovative capability but not business performance. We extracted the residuals of the reduced-form regression against the suspected endogenous variable and saved as a residual variable. Then the main regression including the residual variable was run. The results indicated the residual variable was not significant. Thus, we have confidence that endogeneity was not a serious concern.

Descriptive statistics and correlations for the variables

Table 2 shows the means and standard deviations of dependent, independent, and control variables. The correlations among all these variables are presented. Relatively low inter-correlations among variables suggest that multicollinearity should not be a major problem. Furthermore, the low VIF values in the regression analyses endorse this conclusion.

Table 2 –Means, Standard Deviations and Correlations

	Mean	St.Dev.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1) Agriculture	.070	.256	-												
2) Manufacturing	.400	.491	-.226**	-											
3) Construction	.090	.289	-.088*	-.261**	-										
4) Professional service	.130	.341	-.108*	-.322**	-.125**	-									
5) Retailing and wholesaling	.120	.323	-.101*	-.301**	-.116**	-.144**	-								
6) Hotels and restaurants	.110	.309	-.095*	-.284**	-.110*	-.136**	-.127**	-							
7) Transport and distribution	.040	.201	-.058	-.172**	-.066	-.082	-.077	-.072	-						
8) Business size	1.974	.488	.009	.244**	-.084	-.103*	-.084	-.048	-.043	-					
9) Business age	13.258	6.096	.066	.103*	-.091*	-.085	.032	-.054	.003	.347**	-				
10) Ownership in control	88.050	43.901	-.005	.049	.002	-.055	-.004	.003	-.021	.021	.053	-			
11) Family business objective	4.242	8.229	.115**	-.044	.052	-.111**	-.064	.081	.096*	-.052	-.009	-.029	-		
12) Innovative capability	17.125	3.302	.035	.089*	-.067	.000	-.099*	.072	-.029	.184**	.176*	-.074	-.070	-	
13) Control pattern	.230	.421	.009	-.012	.032	-.067	.068	-.071	.044	.036	.046	.079	.017	-.125**	-

Note: * $p < .05$, ** $p < .01$

Results

We tested the hypotheses in three models, reported in Table 3. Model 1 offers a test of control variables' effect on business performance, measured by sales and employment growth. Model 2 includes the direct effect of innovative capability on performance. Results show that both ANOVA F values are significant. The adjusted R^2 values in Model 2 for sale and employment growth are both .047, implying that the model can explain 4.700 percent of the variance of sales and employment growth. More importantly, Model 2 shows innovative capability is significantly associated with both sales and employment growth. This offers empirical support to hypothesis H1, confirming a positive relationship between innovative capability and business performance. Specifically, the explanatory power of the model, indicated by R^2 , increases from .019 (Model 1) to .047 (Model 2) for sales growth and from .022 to .047 for employment growth. This implies that business performance is more related to innovative capability. This finding is in line with Naldi et al. (2007) and Hatak et al. (2016).

Table 3 Results of Regression Analyses

	Sales Growth			Employment Growth		
	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3
	B	B	B	B	B	B
Agriculture	-.135	-.293	-.345	.428	.256	.194
Manufacturing	-.027	-.169	-.205	.696	.541	.482
Construction	-.493	-.601	-.654	.263	.144	.079
Professional service	-.431	-.569	-.592	.305	.154	.091
Retailing and wholesaling	-.338	-.419	-.497	.065	-.024	-.090
Hotels and restaurants	-.095	-.296	-.342	.818	.598	.520
Transport and distribution	-.219	-.327	-.403	.638	.520	.459
Business size	.147	.091	.069	.112	.050	.041
Business age	.020	.014	.014	.024*	.017	.018
Ownership in control	-.002	-.001	-.002	-.001	.000	-.000
Family business objective	-.006	-.004	-.004	.002	.004	.004
Innovative capability		.073**	.099**		.080**	.093**
Control pattern			1.529*			.770
Innovative capability *Control pattern			-.086*			-.058
R ²	.040	.070	.080	.044	.070	.075
Adjusted R ²	.019	.047	.051	.022	.047	.046
F value	1.858	3.043	2.975	2.036	3.033	2.803
Sig. F	.043*	.000**	.000**	.024*	.000**	.001**

Note: * $p < .05$, ** $p < .01$

Model 3 offers a test of the moderating effect of the control pattern on the nexus between innovative capability and performance. It includes the moderating and interaction variables. The result shows that the interaction variable is negative and significant for sales growth ($\beta = -0.086$, $p < 0.05$), but insignificant for employment growth. Hence hypothesis H2 is partially supported. Figure 1 was further drawn to illustrate the moderating effect. As expected, the figure shows that compared with the firms controlled by two generations, the

relationship between innovative capability and sales growth in those firms in solo control of one generation is more positive.

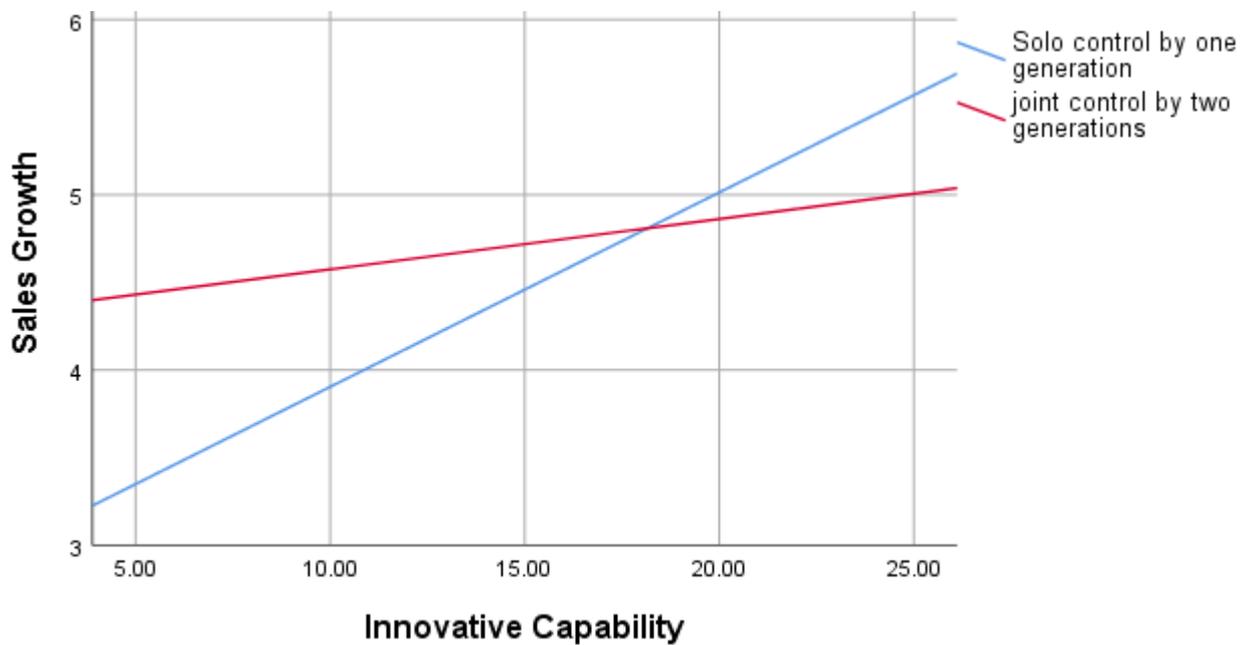


Figure 1: Innovative capability * Control pattern on sales growth

To ensure the robustness of the results, we further ran regression analyses using a subsample of the study. We noted that many young family businesses remain in the full sample. To alleviate the concern that earlier results may be biased, a subsample of family businesses that included businesses more than eight years old was selected, resulting in 431 businesses. The results of all three models are reported in Table 4, which are almost identical in direction and significance as those in the main analysis.

Table 4 Results of Regression Analyses (Robustness test)

	Sales Growth			Employment Growth		
	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3
	B	B	B	B	B	B
Agriculture	-.250	-.396	-.484	.515	.355	.296
Manufacturing	-.067	-.189	-.248	.794	.660	.611
Construction	-.477	-.597	-.662	.595	.463	.405
Professional service	-.559	-.662	-.704	.498	.385	.334
Retailing and wholesaling	-.526	-.593	-.688	.156	.083	.025
Hotels and restaurants	-.382	-.552	-.634	.914	.728	.654
Transport and distribution	-.590	-.683	-.805	.562	.459	.400
Business size	.122	.065	.039	.158	.096	.080
Business age	.020	.014	.014	.028*	.022	.022
Ownership in control	-.002	-.002	-.002	-.001	-.001	-.001
Family business objective	-.005	-.004	-.004	.003	.004	.004
Innovative capability		.058**	.091**		.064*	.080**
Control pattern			1.756*			.833
Innovative capability *Control pattern			-.096*			-.057
R ²	.052	.072	.086	.047	.062	.066
Adjusted R ²	.026	.043	.051	.020	.034	.031
F value	1.977	2.530	2.619	1.751	2.186	1.989
Sig. F	.029*	.004**	.001**	.061	.012*	.018*

Note: * $p < .05$, ** $p < .01$

Discussion

Chinese policymakers have stated that the nation's economic growth depends on innovation from privately owned firms, making the innovative capability of family businesses a particularly important concern. Nonetheless, research on Chinese family businesses is sparse. Moreover, research on innovation during intergenerational leadership is limited, particularly in

the context of Chinese family businesses. This context is important because many Chinese family businesses established in 1980s or even 1990s during a time of radical social and economic change are now practicing intergenerational leadership.

For innovation management, mobilization of the innovative capability and managerial coordination in support of this capability are both critical (Hughes et al., 2018). While innovation can serve the family business' long-term interests in terms of survival and prosperity, resource orchestration is also required, meaning that collaboration between generations is vital (Chirico et al., 2011). During intergenerational leadership, the two generations need to share knowledge, expertise and experiences, as well as engage in dialogue on innovation and business development. To validate our argument related to ROT, we first analyze whether mobilized innovative capability contributes to performance in Chinese family businesses. Then we examine whether the nexus between innovative capability and performance, if it exists, is affected by intergenerational leadership.

Our first finding is that innovative capability is positively associated with business performance as measured by both sales and employment growth. This result should be expected for all businesses but is worth confirming for Chinese family businesses specifically. The literature suggests that Chinese industrial innovation takes a very different form to Western innovation (Williams & Yin, 2014). Additionally, since studies suggest that family businesses often focus on maintaining tradition (De Massis et al., 2016; Chirico & Salvato, 2008), and are reluctant to make changes, it could be surmised that family businesses may survive without innovation. Given the mixed results in the literature (Hauck & Prüggl, 2015), support for hypothesis 1, that mobilized innovative capability and business performance go hand in hand, is a non-trivial finding.

Secondly, we find evidence that the innovative capability-performance relationship is stronger in family businesses controlled by one generation compared to those jointly controlled

by two generations. At intergenerational leadership, the two generations need to collaborate to avoid wide-ranging goal diversity and the consequent conflicts. Kets de Vries (1993) recognized that at intergenerational leadership there are a number of psychological and emotional barriers. The older generation may be reluctant to relinquish power and even be jealous of their children. They may build the “greatest single barrier” against their successors (Rubenson & Gupta, 1996, p.29). Children on the other hand strive for autonomy (Zellweger et al., 2011). They may pursue their own goals, not in accordance with their parents’ expectations, resulting in goal diversity and even relational conflicts.

Relational conflicts are often perceived “as personal attacks” (Jehn, 1997, p.532), which “typically include tension, animosity, and annoyance among members within a group” (Jehn, 1995, p.258). In Western cultures, relational conflicts may be openly discussed in line with the cultural norms of the relationships (Goel et al., 2011). Family members can express their own perspectives, whilst variations in viewpoints are acceptable. Open discussion enables each party to understand the other’s perspective and facilitate conflict resolution initiatives (Goel et al., 2011). In China, however, harmony and stability of the family (Redding 1995) are prioritized. In this milieu, paternal and hierarchical structures are established in which respect is demanded and this precludes the right of offspring to challenge their parents (Goel et al., 2011). Thus, the same conflict that may be dealt with openly in the West is difficult to be aired, let alone resolved.

During the transition, the two generations need to use their heterogeneous yet complementary knowledge and expertise. Le Breton-Miller et al. (2011) argued that family businesses tend to be more innovative and successful in their early stage because of the founder’s entrepreneurial spirit and creativity. Zellweger et al. (2011) however argued that, whereas the founders are able to be more explorative and creative, they constrain successors by protecting the “antiquated activities, products, processes and structures that they have

innovated” (p. 526) and resisting essential resource shedding (Sirmon & Hitt, 2003). Chrisman, Fang et al. (2015) indicated that the objectives of control and continuity may conflict in terms of their effect on innovation. Whereas the desire for continuity may be positively related to the adoption of discontinuous innovation, they propose that the desire for command has a negative effect. This argument helps explain that intergenerational leadership may negatively affect exploitation of innovative endeavors if both generations seek their authority rather than taking a long-term perspective by collaborating with each other.

Theoretical contributions

Our research contributes to the family business literature. First of all, few studies have empirically investigated innovation at intergenerational leadership except Hauck and Prügl (2015) and Kraiczy et al. (2015). We make a contribution to the understanding of this period by explicitly capturing the overlap between generations, since our respondents were asked whether family business was controlled by the first generation, first and second together, second etc. Consistent with Kellermanns et al. (2012), we show that intergenerational leadership has a detrimental effect on family businesses. Further examination of this topic, by building on our findings, will help to understand innovation over the lifecycle of a family business and help managers to improve innovation.

The study is one of the few that apply the emerging ROT in the family business context (for example Chirico et al., 2011). The work extends the understanding of resource orchestration by empirically examining the impact of intergenerational leadership, where two generations interact, on the innovative capability-performance nexus. The results demonstrate that the mobilized innovative capability can contribute to performance gains. Additionally, they suggest that intergenerational leadership is associated with a reduction in the strength of this relationship. Thus, our study provides evidence that both mobilization and coordination may

be necessary for optimal outcomes (Sirmon et al., 2011; Hughes et al., 2018). In the intergenerational leadership context, this means the two generations need to actively engage in dialogue to minimize goal diversity. Failing to align their goals, no matter whether it is because of divergent perspectives or competition for authority, can result in negative outcomes.

A third contribution of this study relates to the recognition of intergenerational leadership as a phase associated with diminished innovation outcomes. We seek to uncover explanations through cultural phenomena, namely characteristics of the single-child generation and their skepticism of the traditional values and norms, by examining social change in China resulting from government policies in the late 1970s. By incorporating the specifics of the context with findings from family business research elsewhere in the world, we are able to generalize the findings. Differences in perspective and personal background between generations are a fact of life in most families. In family businesses, these differences affect decision-making and performance. They may be particularly problematic for strategic decisions in relation to innovation because of the long-term nature of the investments and returns involved. Further investigation of the relationship between generations will help researchers and practitioners to understand the implications better.

A fourth contribution of the study is associated with the heterogeneity examination by proposing hypotheses on innovative capability, family business performance, and influence of intergenerational leadership. Heterogeneity research in family business has evolved from early comparisons between family and non-family businesses to fine-grained inspection among family businesses (Chua et al., 2012; Arrondo-García et al., 2016). Our research takes a step along this direction, analyzing the difference of innovative capability-performance nexus between solo- and joint-controlled family businesses. Our results confirm the nexus heterogeneity. Thus, our work contributes to the ongoing debate as to what family business context is conducive to innovation (König et al., 2013; Röd, 2016; Duran et al., 2016) and why

not all family businesses are capable of exploiting innovative endeavors effectively (Hauck & Prügl, 2015).

A final contribution worth noting relates to the paucity of studies on innovation and family businesses in China. While researchers have explored family business innovation in Hong Kong and Taiwan (Chen & Hsu, 2009), to the best of our knowledge, this is the first study of these topics in the context of mainland China. The context is unique given the novelty of the family business form and therefore a fertile area for future family business research. While social and cultural differences between China and other nations are evident, we argue that the negativity towards *Little Emperors* is also mirrored in attitudes to *millennials* elsewhere and that this negativity may be unfounded. To test this argument, examining the impact of technological, social and economic changes on innovation should be a focus of attention for researchers in future.

Managerial implications

Frank and Landström (2015), in a study of what makes entrepreneurship research interesting, suggested a focus on relevance and application of knowledge, as opposed to rigor and ranking of journals. Frank et al. (2019) further showed a way of developing relevant and applicable knowledge by using practitioners' validation in their study of innovation management. After the first-phase qualitative study, they interviewed family business executives for the auditing purpose. In our study, we did not have the opportunity to accommodate a qualitative phase for result corroboration. Nevertheless, we endeavored to develop practical implications by abiding by the relevance-applicability rule.

Our study shows that the link between innovative capability and performance is more robust in hands of one generation. In fact, the differences between the two generations in perspective and personal background may result in goal diversity, making innovation difficult

(Kellermanns et al., 2012; Chirico et al., 2011). In this logic, building up dialogue channels and encouraging open discussions become vital. This is particularly imperative for family businesses surviving in the hierarchical and paternalistic cultures like China (Goel et al., 2011).

Founders of family businesses may be more creative than subsequent generations (Le Breton-Miller et al., 2011), or perhaps they are simply less constrained by functional departments and formal procedures (Naldi et al., 2007). When businesses survive into the second generation, the successors may be faced with the responsibility of establishing processes to maintain the growth and longevity of the businesses (Zellweger et al., 2011). In China, where access to tertiary education has increased (Economist, 2016), along with exposure to a greater range of cultural influences (Jensen et al., 2011), the younger generation may be more enterprising and innovative. Managers of family businesses must therefore ensure a succession plan that allows the younger generation to make such contributions. To do so, we propose two main recommendations for managers.

Firstly, from the family perspective, a governance structure should be developed to mediate the issues between the generations. In constructing the governance structure, a qualitative communicative approach can be adopted (Frank et al., 2019) with consultation to different stakeholders in the family to ensure the structure is fit for purpose. Involvement of non-family members may also help to resolve differences between family members and improve decision-making (Wang et al., 2007). The focus on business success may then enable the skills and experiences of different generations to be utilized more effectively.

Secondly, from the business perspective, each generation may have different skills or areas of expertise (Zellweger et al., 2011). For example, while the first generation may be more creative, they may neglect process formalization or be less familiar with technological changes. The second generation meanwhile may focus on scaling up operations than on product innovation. To take advantage of both generations' strengths, jointly establishing formal

processes should be a priority. In establishing this process, again the qualitative communicative approach can be followed (Frank et al., 2019) where both generations are involved. Through communication, family businesses may work out the roles to be taken by the two generations, the responsibilities to be distributed and the mode of collaboration to be adopted. As such, the process may function as an effective tool and contribute to resource orchestration efforts. It can also help to articulate and preserve the values and traditions of the founder, while providing a forward-looking vision of the company.

Limitations and further work

Family business is a relatively new, but increasingly vital organizational form in China. In contrast to research on European and American family businesses, studying Chinese family businesses that are under the control of the second or third generation is presently difficult. The accessibility to the small sample of second-generation businesses in our study demonstrates this difficulty. This obstacle, combined with the absence of business databases that would otherwise allow effective sampling, creates an important limitation of our sample but also an opportunity for further research. Given time, there will be a sufficiently large population to update the present results. Secondly, the study adopts a dummy variable of control pattern to scrutinize the impact of intergenerational leadership on the innovative capability-performance nexus. Using constructs such as goal diversity and family cohesion would better measure the nature of intergenerational leadership and unleash the explanatory power of ROT. Additionally, an important avenue for research may be qualitative investigation of the dynamics of intergenerational leadership and innovation in Chinese family businesses. Here narrative methods that capture the perspectives of both generations would help to explain the quantitative results we present and validate the practical implications we develop (Frank et al., 2019). In fact, our explanation emphasizes the coordination between generations. However, the actual

cause cannot be shown without direct observation and testing. Finally, the Chinese context offers an opportunity to examine heterogeneity among family businesses and particularly to understand the innovative capability-performance nexus under different control patterns. Measurable behavioral differences between the generations (Cameron et al., 2013) can be related to the unprecedented social, economic and technological changes since 1979, while these differences will contribute to heterogeneity in practicing innovation. Given that a growing number of family businesses in China are now undergoing intergenerational leadership and they move into this phase almost simultaneously, it creates a tantalizing and unique avenue for scholars to study interactive dynamics between generations and its impact on business operations.

Conclusion

Motivated by the fact that innovation is rarely examined in the milieu of family firms during intergenerational leadership, this study adopts a quantitative approach with an attempt to advance understanding of the field. Our novel contribution is the empirical evidence that the potential of innovation may be hampered by intergenerational leadership. To the best of our knowledge, this is the first study of such topic based in mainland China. We consider the unique social, cultural and economic context that has resulted from political policies enacted over several decades. By drawing on broader literature on concepts such as RBV and resource orchestration, we offer insights for research and practice in other parts of the world.

APPENDIX

Innovative Capability Construct (Cronbach $\alpha = .730$)

- The rate of introducing new changes to the internal processes in our family business has been high.
- In new product/service introductions, our family firm is often first-to-market.
- Compared with our major competitors, our overall new product/service development program is more successful.
- The overall performance of our new product/service development program has met our objectives.
- Employees in our family business are capable of using their expertise to develop new products/services.

Question examining family business objective

Please indicate the degree to which your family business resembles the two companies described below by distributing 100 points between them. Thus, if your family business is primarily like Company A and only remotely like Company B, you might allocate 85 points to Company A and 15 points to Company B.

Company A: The primary emphasis in the company is to keep the business under family control and ensure the business continuity. The company will try to provide empirical training for family members and cultivate potential successors. Family members are welcome to join in no matter whether they are professionally qualified or not. In this company to keep a harmony relationship among family members is considered important.

Company B: The primary emphasis in the company is to achieve the maximum profits and develop the business professionally. Professional non-family members and qualified family members are welcome to join in. In this company to keep the business competitive is the major concern.

Company A:

Company B:

Total points = 100

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