

**Succession planning in Chinese family-owned businesses in
Hong Kong: an exploratory study on critical success factors
and successor selection criteria**

By

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Abstract

This is one of the first studies to engage with succession issues amongst Chinese family-owned businesses (FOBs) in Hong Kong. The study is based on a survey conducted amongst FOBs in the Federation of Hong Kong Industries or The Chinese Manufacturers' Association of Hong Kong, and also on five in-depth case studies conducted to explore the issues that were revealed in the survey in detail. The study builds cumulatively on previous work on succession in family owned businesses, and identifies eight Critical Success Factors and five Successor Selection Criteria that Chinese founders and successors in family businesses in Hong Kong agree on. The eight Critical Success Factors are: capability and contribution of the successor in the family business; personal characteristics of founder; successor motivated to lead the family business and agrees with the company direction; business environment and the family business scenario to develop the successor in different scenario; fair and planned shareholder changed parallel transfer of power; relationship between founder and successor; corporate culture and organizational structure; and other participants' view on the management transition of the offspring-successor. Furthermore, the study identifies five Successor Selection Criteria for founders and successors of family businesses in Hong Kong and compares findings with a study using the same framework conducted in Canada and India. The five criteria are: management skills and experience, interpersonal relationships and networks among stakeholders; trust and relationship among family members and owner-manager; self-confidence and commitment of the successor in the family business; family standing and share ownership; and business and working experience of the successor. These are evaluated in terms of their concordance with the non-Chinese FOB literatures, and with the cases studies of Chinese FOBs described in this study. The Thesis concludes that succession issues are even more important for family-owned businesses in Hong Kong than elsewhere, and that insofar as family-owned firms solve their succession problems they will continue to make a vital contribution to business worldwide.

Keywords:

Chinese family-owned businesses; succession planning; critical success factors; successor attributes; Hong Kong

Statement by Candidate

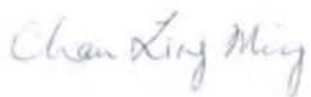
This thesis is submitted in partial fulfillment of the requirements of the degree of DBA, in the Graduate School of management, Macquarie University. It represents the original work and contribution of the author, subject to the Acknowledgments made.

I certify that the work in this thesis entitled “**Succession planning in Chinese family-owned businesses in Hong Kong: Critical success factors and successor selection criteria**” has not previously been submitted for a degree nor has it been submitted as part of the requirements for a degree other than the DBA nor to any institution other than Macquarie University, and is now resubmitted following the original examination in accordance with the requirements of the HDR Committee..

I certify that the thesis is an original piece of research and it has been written by me. Any help and assistance that I have received in my research work and the preparation or the thesis itself have been appropriately acknowledged.

In addition, I certify that all information sources and literature used are indicated in the thesis.

The research presented in this thesis was approved by Macquarie University Ethics Review Committee, reference number: HE22JUN2007-D05280 on 22 June 2007.



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Acronyms

CEO	Chief Executive Officer
CFB	Chinese Family Business
CFBs	Chinese Family Businesses
CSFs	Critical Success Factors
ERP	Enterprise Resource Planning
FBS	Family-owned Business Succession
FOBs	Family-Owned Businesses
GDP	Gross Domestic Production
GEW	General Engineering Works Ltd.
HFP	Hardiford Paint Co. Ltd.
HK	Hong Kong
HKSAR	Hong Kong Special Administrative Region Government
LED	Light Emitted Diode
MBA	Master in Business Administration
OBM	Original Brand Manufacturing
ODM	Original Design Manufacturing
OEM	Original Equipment Manufacturing
PRC	People's Republic of China
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for the Social Science
SSPF	Seven Seas Plastic Factory
TYP	Tin Yin Paint Co
WB	Wilbur Co

Statistical Terms

ANOVA	Analysis of variance
CFA	Confirmatory factor analysis
Df	Degree of freedom
EFA	Exploratory factor analysis
F	Computed F-test statistic
F_{crit}	Upper-tailed critical value
KMO	Kaiser-Meyer-Olkin test
MS	Mean squares
OBLIMIN	Oblique Factors and a Minimizing Criterion Rotation
P	Proposition
p-value	Probability value
R	Correlation coefficient
s.d.	Standard deviation
Sig.	Significance
SS	Sum of squares
VARIMAX	Variance Maximizing Rotation
<	Less than
>	Greater than

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