Ecole Doctorale Sciences Sociale et Humanités
Université de Pau et des Pays de l'Adour

The Impact of Family Involvement on Business Performance - a Quantitative Research on Listed Companies in China

L'impact du Contrôle Familial sur la Performance – une Recherche Quantitative sur Les Sociétés cotées en Chine

Thèse pour l'obtention du titre de Docteur en Sciences de Gestion présentée et soutenue publiquement le 05 Février 2013 par :

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Acknowledgements:

The process of writing this dissertation is an exceptional experience because one needs to have strength and persistence to overcome the hardship and bitterness along the journey. Therefore, I would like to express my sincere acknowledgement to my supervisor and mentor, Mr. Jacques Jaussaud, who offered me the greatest support and encouragement and guided me through my journey.

Meanwhile, I would like to give my special thanks to my mother, my father, my aunt, my cousin, my grandmothers, my grandfather, and other relatives who have been being the solid foundation behind me during the research period.

I place on record my sincere gratitude to Mr. Bruno Amann and Mr. John Kidd, who always provided me a lot of valuble suggestions or encouragement. I also would like to give my thanks to Professor Bernadette Andreosso O'Calaghan who agreed to become a member of the panel for my Ph.D defense.

Last but not least, I take this opportunity to record my sincere thanks to my colleagues in CREG and my friends who, directly or undirectly, have lent their helping hand on this research.

Sur l'usage des langues dans cette thèse

Bien qu'elle ait une bonne pratique du français, l'auteur de cette thèse, de nationalité chinoise, remercie l'Ecole Doctorale Sciences Sociales et Humanités de l'Université de Pau et des Pays de l'Adour de lui avoir donné la possibilité de rédiger et de soutenir son travail en anglais. Le propos n'en sera que plus précis et soigné.

En accord avec les directives de l'Ecole Doctorale et celles de notre directeur de thèse, nous présentons, en complément du texte intégral en anglais, l'introduction de la thèse et la conclusion générale en français.

The Influence of Family Involvement on Business Performance — a Quantitative Research on Listed Companies in China

Abstract：
The academic research about family businesses has spread out for years, and lately in broader field and more in-depth discussion. In China, the research about family businesses is not only relied on anecdotal observation and theoretical explanation, but also more and more empirical investigation and rational choice models were utilized in recent years. This paper compares the performance of family businesses (FBs) with non-family businesses (NFBs) in China for listed companies in Shanghai and Shenzhen Stock Exchanges. In addition, the paper finds better performance of FBs compared to NFBS, and among the former better performance of strong-controlled FBs compared to weak-controlled FBs in China.

Key words：
Family businesses, China, listed companies, performance

L'impact du Contrôle Familial sur la Performance – une Recherche Quantitative sur les Sociétés cotées en Chine

Résumé :
Cette thèse a pour objectif l'étude du management et de la performance de l'entreprise familiale par rapport à l'entreprise non-familiale en Chine continentale, en utilisant la littérature académique la plus récente et une investigation par approche quantitative. Sur la base de données collectées en 2007 et 2008 d'indicateurs financiers de plus que 1000 sociétés cotées à Shanghai et Shenzhen, cette thèse comparera les performances entre les entreprises familiales et non-familiales en Chine.

Mots-clés :
Entreprises familiales, Chine, sociétés cotées en Bourse, performance

家族因素对企业绩效的影响—来自中国上市公司的定量研究

摘要
世界范围内对家族企业的研究越来越广泛、深入与多样化，我国对于家族企业的研究也已不局限于理论性介绍和论述，更越来越着重于实证特别是定量研究。本文以 07，08 年大量上市公司数据为样本，运用配对分析法比较了中国上市家族企业与非家族企业的绩效与财务结构差别，并对比了不同程度家族控制的企业之间的绩效差别，进而得出家族控制程度相对较强的企业的绩效优于家族控制程度较弱的企业。即，在中国上市公司中，所有权与管理控制权两权合一的家族企业要比聘用外部经理人管理的公司绩效占优。

关键词
家族企业；中国；上市公司；绩效

Content

1. Introduction

Family businesses (FBs) have played a key role in the modernization of the economies of the developed and developing nations. The economic and social importance of FBs has now become more widely recognized. The family's ability to provide the critical capital and entrepreneurial spirit is crucial to the development of capitalism and in spurring the industrialization of the developed and developing countries (Shaffer, 1982).

1.1 Background of the development of family businesses worldwide

Internationally FBs are the dominant form of business organization.

Les entreprises familiales (FBs pour *Family Business*) ont joué un rôle clé dans la modernisation de l’économie tant des pays développés qu’en développement. L'importance économique et sociale de l’entreprise familiale est désormais largement reconnue. La capacité des familles à fournir des capitaux et l'esprit d'entreprise est cruciale pour le développement du capitalisme et pour stimuler l'industrialisation des pays développés et en développement (Shaffer, 1982).

Contexte du développement des entreprises familiales dans le monde

Internationalement, l’entreprise familiale est la forme dominante d'organisation commerciale.

Gersick et al. (1997) in their book "Generation to Generation." report that FBs (family owned or controlled) account for 65-80% of all worldwide businesses, and for about 40% of the Fortune 500 companies. In many countries, family businesses continue to represent the majority of firms ranging from small to large industrial entities.

For instance, in US, family businesses account for 12% of GDP, employ 15% of the workforce and contribute 19% of all new jobs (Shanker and Astrachan, 1996). In the cases of west Europe, FBs generate 66% of the German GDP and employ 75% of the workforce; in Britain, they employ 50% of the workforce and are estimated to 75% of all kind of businesses (Cadbury, 2000).

Gersick et al. (1997) rapportent que les entreprises familiales (possédée ou contrôlée par une famille) représentent 65-80% de toutes les entreprises du monde entier, et environ 40% des sociétés sur la liste de Fortune Global 500. Dans de nombreux pays, les entreprises familiales constituent la majorité des entreprises, allant des petites aux grands entreprises industrielles.

Par exemple aux États-Unis, les entreprises familiales représentent 12% du PIB, emploient 15% de la population active et contribuent pour 19% des nouveaux emplois (Shanker et Astrakan, 1996). Dans le cas de l'Europe de l'ouest, elles contribuent à 66% du PIB allemand et emploient 75% de la population active. Les sociétés familiales britanniques emploient 50% des actifs et constituent 75% de l’ensemble des entreprises.

FBs account for 95% in Latin America and the Far and Middle East (Cadbury, 2000). Moreover, in many developing countries, FBs could almost represent the whole private economy, provide much-needed capital and take on the risks essential to stimulate new industries that contribute to their economic development.

1.2 Background of FBs in Asia

One measure of the dominance of family businesses is its proportion to registered companies. According to *Asian Family Businesses Report 2011* by Credit Suisse, Asian family businesses have increased roughly six-fold at a compound annual growth rate of 21.3% between 2000 and 2010.

En Amérique latine, au Moyen-Orient et en Extrême-Orient, le chiffre pourrait aller à 95% (Cadbury, 2000). Par ailleurs, dans certains pays en développement, les entreprises familiales représentent l’essentiel de l’économie privée, des capitaux indispensables et assument les risques essentiels pour stimuler de nouvelles industries et contribuer au développement économique.

Contexte de l`entreprise familiale en Asie

Selon *Asian Family Businesses Report 2011,* publié par le Crédit Suisse, les entreprises familiales asiatiques ont cru à un taux de croissance annuel de 21,3%, donc ont sextuplé de taille environ entre 2000 et 2010.

FBs account for 32% of total market capitalization, which equal to 34% of total nominal Asian GDP, result from the data collection of 10 main Asian countries by Credit Suisse. Ten Asian countries (or administrative areas) taken into the account in the analysis include: China, Hong Kong, South Korea, Taiwan, India, Indonesia, Malaysia, Philippines, Singapore and Thailand.

Asian family businesses focus on the traditional sector, particularly financials, real estate, industrials, consumer discretionary and consumer staple sectors. Family control, as an organization form, is best suited to more traditional industries with high fixed cost and operations which require long-term investment horizon (Credit Suisse, 2011).

Selon des données portant sur dix pays principaux de l'Asie, collectées par le Crédit Suisse, les entreprises familiales représentent 32% de valeur totale du marché boursier, et 34% du montant nominal du PIB asiatique. Les dix pays asiatiques pris en compte dans l'analyse sont: Chine, Hong Kong, Corée du Sud, Taiwan, Inde, Indonésie, Malaisie, Philippines, Singapour et Thaïlande.

Les entreprises familiales asiatiques se concentrent sur les secteurs traditionnels, en particulier des services financiers, de l'immobilier, de l'industrie, et des produits de consommation. Le contrôle familial, comme forme d'organisation, est le mieux adapté à des industries plus traditionnelles avec des coûts fixes élevés et des opérations qui nécessitent un horizon d'investissement à long terme (Crédit Suisse, 2011).

In Asia, including China, family businesses rarely exist in the capital intensive sectors, such as energy, telecom services and utilities, because their lack of ability to access to the highly regulated and state-monopolized industries. This phenomenon also relate to the more risk-averse investment strategy derived from the prudent attitude of Asian FBs when considering the business opportunities in the capital intensive industries.

Nowadays, Asian FBs not only dramatically influence on the strategic industries, financially markets and commercial activities in the region, but many Asian FBs have gained prominent successes in global markets.

Dans les pays asiatiques, dont la Chine, les entreprises familiales existent rarement dans les secteurs à forte intensité capitalistique, tels que l'énergie, les services de télécommunication et les services publics, pour défaut de capacité à accéder aux industries fortement réglementées et de monopoles d’Etat. Ce phénomène concerne également l'aversion au risque en matière d’investissements, qui est dérivée de l'attitude prudente des entreprises familiales asiatiques.

De nos jours, les entreprises familiales asiatiques non seulement influencent considérablement les industries stratégiques, les marchés financiers et les activités commerciales dans la région, mais aussi beaucoup d’entre elles ont gagné du succès significatifs sur le marché mondial.

Well-known examples include Samsung Electronics (South Korea), Hon Hai (Taiwan), Tata Consultancy Services (India), and so on.

In Asia, many FBs are still controlled by first-generation, which origin could trace to the period after Second World War. This situation is in contrast with many FBs in Europe and the USA, which are already in the fourth or fifth generation. Compared with Western FBs, Asian FBs have shorter publicly listing history and interaction with minority shareholders.

1.3 Background of FBs in China

Chinese family businesses (CFBs), which are operated by ethnic Chinese, share a common culture and some characteristics.

Les exemples connus comprennent Samsung Electronics (Corée du Sud), Hon Hai (Taiwan), Tata Consultancy Services (Inde), etc.

En Asie, un grand nombre d`entreprises familiales sont encore contrôlées par la première génération, postérieure à la Seconde Guerre mondiale. Cette situation contraste avec beaucoup d’entreprises familiales en Europe et aux Etats-Unis, qui en sont déjà à la quatrième ou cinquième génération. En comparaison avec les entreprises familiales occidentales, les asiatiques ont une histoire moins longue de cotation en bourse et d'interaction avec les actionnaires minoritaires.

L’entreprise familiale en Chine

Les entreprises familiales chinoises partagent une culture commune et de certaines caractéristiques.

Overseas (out of Mainland China) CFBs are said to make up the world's fourth economic power after North America, Japan, and Europe (Kao, 1993). Although CFBs are scattered around the world, researchers find that they share unique characteristics, such as the influence of Confucianism, the centralized decision-making, the values of honesty, integrity and diligence and personal trust. The FBs in Mainland China (here in this dissertation, means the mainland of People's Republic of China) share the same characteristics.

In mainland China, FBs appeared with the development of businessmen and private economy.

On dit que les CFB à l'étranger (hors de la Chine continentale) constituent la quatrième puissance dans l'économie mondiale après l'Amérique du Nord, le Japon et l'Europe (Kao, 1993). Bien que les CFB soient dispersées aux quatre coins du monde, les chercheurs constatent qu'elles partagent des caractéristiques uniques, telles que l'influence du Confucianisme, le prise de décision centralisée, les valeurs d'honnêteté, d'intégrité et de diligence et la confiance personnelle. Les FBs en Chine continentale (ici dans cette thèse, il signifie la partie continentale de la République Populaire de Chine) partagent les mêmes caractéristiques.

En Chine continentale, l'entreprise familiale a vu le jour avec le développement des hommes d'affaires et de l'économie privée.

Since the open-reform policy implemented by Chinese government at the end of 1970's, plenty of businessmen and private firms have become the new power of China's economy. Nowadays, FBs of mainland China have gone through the initial stages of the accumulation of adventuring capital, and switched to the stages of organizational change and development (Zhong and Shi 2007). In mainland China, FBs account for at least 90 % of the private firms, hire over 300 million people as their employees (Zhang, 2005). The well-known FBs from mainland China include HUAWEI Technologies, BYD auto, SUNING Appliance, Xinxiwang Animal Husbandry Co., Ltd, etc.

Depuis la politique d'ouverture et de réforme mis en œuvre par le gouvernement chinois en fin des années 70, une abondance d'hommes d'affaires et d'entreprises privées sont devenues la nouvelle force de l'économie chinoise. De nos jours, les FBs de la Chine continentale ont franchi les étapes initiales de l'accumulation du capital, et sont passés à l'étape du changement et du développement organisationnel (Zhong et Shi 2007). En Chine continentale, les FBs constituent au moins 90% des entreprises privées, et embauchent plus de 300 millions d'employés (Zhang, 2005). Les FBs bien connues de la Chine continentale comprennent HUAWEI, BYD Auto, SUNING，XINXIWANG, etc.

According to *Capital Week's* investigation on the background of all listed companies depending on the data

Selon l'enquête de «Capital Week» sur le contexte de toutes les sociétés cotées en fonction des données de of year 2007, 421 out of 1,591 listed companies based on the Shanghai and Shenzhen stock exchange market are family-controlled businesses. In China, the FBs mainly gather in manufacturing industry, information transmission, computer services and software industry and real estate industry. There is no FB in finance and insurance industry, and FBs rarely exist in Mining and Quarrying industry, public utility industry, social service industry and publishing and culture industry.

In the past two decades, the researches on FBs have been rapidly developing and also attract more and more Chinese researchers. Although the qualitative literature for the most part relies on anecdotal observations and is not based on rational choices models

l'année 2007, 421 sur 1,591 sociétés cotées en Bourses de Shanghai et de Shenzhen appartiennent aux entreprises à contrôle familial. En Chine, les FBs se rassemblent principalement dans l'industrie de la fabrication, de la transmission des informations, des services informatiques, du logiciel et de l'immobilier. Il n'y a pas d'entreprises familiales dans le domaine de finance et des assurances, et elles existent rarement dans l'industrie minière, des services publics et sociaux, l'édition et la culture.

Au cours des deux dernières décennies, les recherches sur l'entreprise familiale sont en développement rapide et attirent également de plus en plus de chercheurs chinois. Bien que la littérature qualitative se fonde pour la plupart sur des observations anecdotiques et qu'elle ne soit pas and empirical investigation in Mainland China, there are more and more outstanding empirical and academic literatures by mainland researchers in this subject. For instance, Chu (2000) introduces the situation of FBs in China and the direction for future research in his influential article in Chinese academic field; Li (2007) reports the development of the FBs in China from a perspective of family business contract; Wang Yan (2007) estimates the family businesses form the agency theory perspective; Shi and Shi (2010) analyze the corporate governance of FBs in China. As China is one of the fastest growing economy in the world, the academic research about family businesses, which has became very important formed business in mainland China, seems crucially and urgently needed.

basée sur des modèles rationnels ni sur les enquêtes empiriques en Chine continentale, il y a de plus en plus de travaux empiriques et académiques de chercheurs du continent à ce sujet. Par exemple, Chu (2000) présente la situation de l'entreprise familiale en Chine et l'orientation des recherches futures dans son célèbre article dans le champ académique chinois; Li (2007) signale le développement de l'entreprise familiale dans une perspective de contrat d'entreprise familiale; la même année, Wang (2007) estime que les entreprises familiales constituent un point de vue de la théorie de l'agence; Shi et Shi (2010) analysent la gouvernance sociale de l'entreprise familiale en Chine. Comme les entreprises familiales sont l'un de l'entité économique dont le développement est le plus rapide dans le monde, il semble crucial et urgent de mettre

1.4 Overview of the research problem

In mainland China, there are a lot of negative comments on FBs from academic area and public comments. It is more difficult to let a financial institution issue a long-term lending with a huge amount to a FB in mainland China. In addition, outside investors also have cautious and conservative attitude on investing in a FB. As a result, FBs in China are more likely to meet a constraint when they have developed to a certain scale, because of the difficulties for financing. FBs play much less prominent roles in China compared to other countries such as South Korea and Singapore. “A high degree of government involvement in the mobilization of savings and industrial development, and the differences in the level of development of banking and

en place des recherches académiques à leur sujet.

Problématique de la recherche

Dans la chine continentale, les opinions portées sur les entreprises familiales sont souvent négatives. En conséquence, les institutions financières ne veulent pas faire des prêts à long–terme à ce genre d’entreprises. Pour les investisseurs externes, leurs placements envers les entreprises familiales sont faits aussi avec beaucoup de précautions. Face à cette situation, à cause des problèmes financiers, les entreprises familiales chinoises rencontrent beaucoup de restrictions pendant leurdéveloppement. Les entreprises familiales jouent un rôle moins important en Chine par rapport à d'autres pays comme la Corée du Sud et Singapour. “A high degree of government involvement in the mofinancial markets and their ability to intermediate savings" are also the reasons of that (Credit Suisse, 2011).

The researches on the performance of FBs have been conducted in various countries or areas. McConaughy et al. (1998) report the higher valuations and profitability of FBs than non-FBs in the US. Anderson and Reed (2003) also find that FBs have higher Tobin's q values and higher return on assets than non-FBs in publicly traded family-controlled firms in the US. In the case of Western Europe, Maury (2006) concludes that family control can increase performance by the investigation based on the samples which consist of 1672 non-financial firms. Allouche et al. (2008) prove that FBs have better performance and financial structure than non-FBs in Japan.

mobilization of savings and industrial development, and the differences in the level of development of banking and financial markets and their ability to intermediate savings" en sont aussi les raisons (Crédit Suisse, 2011).

Selon les recherches dans les différentes régions du monde, les entreprises familiales sont plus performantes que les non familiales. Les études faites aux États Unis, en Europe de l'ouest et au Japon ont établi ce résultat (par exemple, McConaughy et al., 1998 ; Anderson and Reed, 2003; Maury, 2006 ; Allouche et al., 2008).

En Chine, les études sur les entreprises familiales sont pas nombreux. Il n'y a notamment très peu de recherche scientifique basée sur les données statistiques.

In China, at least before we start this research, few studies are undertaken on the performance comparison between family businesses and non-family businesses, especially by using a scientific method with large-scaled samples and data.

The prime aim of this research is to evaluate the performance of family businesses compared to non-family businesses in Mainland China through a quantitative investigation with a large-scaled samples and data. In addition, this research also try to figure out the difference of performance between strong-controlled FBs and weak controlled FBs, based on the assumption that different level of family control influence the performance of FBs. We hope this research could provide a mirror to reflect a general situation of FBs in mainland China.

L’objectif le plus important de notre recherche est de trouver les différences entre les entreprises familiales et non familiales en termes de performance et de résultats financiers, en utilisant des recherches quantitatives portant sur un grand échantillon. De plus, nous avons aussi l’intention de dégager l’impact des influences des différents niveaux de contrôle familial, fort ou faible, sur la performance de ces entreprises.

Nous avons choisi les entreprises familiales chinoises comme notre terrain de recherche. Notre recherche sur la performance des entreprises se base sur les indices financiers publiés dans Thomson One Banker, de l’année 2007 et 2008. Notre échantillon est composé par 1591 sociétés cotées à Shanghai et Shenzhen. Nous allons comparer

This research applies to the Chinese context a similar research methodology that has been used in the Japanese context by Allouche et al. (2008). The investigation on the performance of FBs in China is based on the data collection covering the year 2007 and 2008, by computing numerous financial indexes from Thomson One Banker database. The sample scale is from 1,591 listed companies in Shanghai and Shenzhen stock exchange. The research aims to review the differences of the performance and financial structure through the comparison between family and non-family businesses, and between strong-controlled family businesses and weak-controlled family businesses.

1.5 General review of the literatures

First, the dissertation explains in Chapter 2 the definition debates on the term "family business", since there is

les données de la performance et des résultats financiers entre les entreprises familiales et non familiales, puis nous allons faire la même comparaison entre les entreprises familiales à fort contrôle et celles à contrôle faible.

Revue de la littérature

Dans la revue de la littérature, nous allons d'abord expliquer les différentes définitions de l'entreprise familiale. Malgré tout, il n'y a pas un consensus sur ce terme. Ensuite, nous allons faire une revue sur les questions clés souvent étudiées pas les chercheurs précédents dans les études sur les entreprises familiales. Finalement, nous allons présenter brièvement les caractéristiques des entreprises familiales en Chine.

not a consensus definition for the very term “family business” yet. Second, it generally reviews some hotspots the previous researches highlight on FBs in academic field. Third, it briefly introduces the characteristics of Chinese family businesses.

1.6 Theoretical background

This dissertation briefly introduces several theories or concepts which could help interpret better performance and financial structure of the family businesses around the world. Agency theory (Meckling and Jensen, 1976) is used to explain the reduced agency cost in FBs because of the least separation between ownership control and managerial decisions. From stewardship (Donaldson and David, 1989; 1991) perspective, a family manager has enough motivation to act in a way that maximizes the interests of the firm, as the goals and interests

Le cadre théorique

Dans la partie littérature, nous avons choisi plusieurs théories qui permettent d’interpréter les meilleures performances des entreprises familiales et leur meilleure structure financière. La théorie de l'agence (Jensen et Meckling, 1976) est utilisée pour expliquer le coût d'agence réduit des entreprises familiales en raison de la moindre séparation entre contrôle de la propriété et décisions de gestion. Du point de vue de la théorie de l’intendance (*stewardship theory*, Donaldson et David, 1989, 1991), un dirigeant membre de la famille a assez de motivation pour agir d'une manière qui maximise les intérêts de l'entreprise, dans la mesure où les intérêts entre les dirigeants et ceux des propriétaires de la famille sont alignés.

Du point de vue de la théorie des resbetween family managers and family owners are aligned.

From a resource-based view, family involvement in the businesses, or "familiness" as the combined word created by Habbershon & William (1999), can yield a unique resource thus positively influence the performance of FBs. Long-term orientation (Block, 2009) help to interpret that family businesses can usually see further and avoid myopia behavior when they make the managerial decisions. Risk aversion is adopted to introduce that family businesses normally have cautious attitude on debt, because of the risk of bankruptcy (Gallo & Vilaseca, 1996). Transaction cost also presents in theoretical background part in order to explain that, the transaction cost could be reduced because family businesses are very efficient in production network due to the trading partners

sources, l'implication de la famille dans les entreprises, ou «familiness», selon le mot combiné créé par Habbershon & William (1999), peut produire une ressource unique susceptible d'influencer positivement la performance des entreprises familiales. Le concept d'orientation à long terme permet de souligner que les dirigeants des entreprises familiales voient habituellement plus loin et évitent les comportements de myopie quand ils prennent les décisions de gestion (Block, 2009). Le concept d'aversion au risque est adoptée pour introduire que les entreprises familiales ont normalement une attitude prudente en matière d'endettement, en raison du risque de faillite (Gallo et Vilaseca, 1996). Le concept de coûts de transaction présente également un cadre théorique pour expliquer que les trust each other very well through kinship or ethnic ties.

1.7 Methodology

Two methods are conducted in this research. The first method is very simple, to calculate the average of all listed companies controlled by families on one hand, and all non-FBs on the other hand. Unfortunately, no valuable outcome is gained from this method, because FBs and NFBs are most distributed equally according to size, industry, and so on. The second method is, by using a matched-pair design, to conduct the paired-sample T test and the Wilcoxon test. Matched-pair design means that, a pair should be composed of one FB and one Non-FBs, which are under the same size and industry classification.

Finally, 297 valid pairs are built after extracting some pairs including the

coûts de transaction pourraient être réduits parce que les entreprises familiales travaillent en réseaux de production avec des partenaires commerciaux qui se font mutuellement confiance du fait de liens de parenté ou ethniques.

Méthodologies

Nous avons utilisé principalement deux méthodes pour notre recherche. Premièrement, nous avons comparé les indices financiers entre l'ensemble des entreprises familiales et l'ensemble des entreprises non-familiales de notre échantillon. Mais, nous n'avons pas obtenu de cette façon là des résultats très convaincants. Ensuite, nous avons reclassé les entreprises de notre échantillon en paires, une familiale, l'autre non familiale, de même taille et même secteur d'activité. Cette opération nous per-firms in conglomerate and financial industry. Some listed companies in special situation (for example, it is under the audit by China Security Regulation Commission because of non-standard activities) are also excluded. Among 297 valid pairs, 177 pairs are built as strong controlled family businesses vs. nonfamily businesses (Type B vs. Type A), and 76 pairs as weak controlled family businesses vs. non family businesses (Type C vs. Type A), 44 pairs as weak controlled-FBs vs. strong-controlled FBs (Type C vs. Type B).

The tests are undertaken on six comparisons regarding numerous financial indexes in this research. Six comparisons include:

1, the comparison between NFBs and strong-controlled FBs based on data of year 2007;

met d'utiliser le « *paired-sample T test* » et le test de Wilcoxon, pour note analyse quantitative.

Finalement nous avons obtenu 297 paires valides. Parmi celles-ci, nous avons 177 paires d'entreprises familiales à fort contrôles vs. les entreprises non-familiales (type B vs. type A) ; 76 paires d'entreprises familiales de tout types vs. entreprises non-familiales (B et C vs. A) ; 44 paires d'entreprises familiales à faible contrôle vs. entreprises familiales à fort contrôles (C vs. B).

Selon les différents indices financiers, nous avons réalisé six tests de comparaison :

1, la comparaison entre les entreprises non-familiales et les entreprises familiales à fort contrô-

2, the comparison between NFBs and All FBs based on data of year 2007;

3, the comparison between NFBs and strong-controlled FBs based on data of year 2008;

4, the comparison between NFBs and All FBs based on data of year 2008;

5, the comparison between strong-controlled FBs and weak-controlled FBs based on data of year 2007;

6, the comparison between strong-controlled FBs and weak-controlled FBs based on data of year 2008;

1.8 Main findings

There are totally four hypotheses built in this research. The outcomes through the investigation by this research

le, sur la base de l'année 2007;

2, la comparaison entre les entreprises non-familiales et les entreprises familiales sur la base de l'année 2007;

3, la comparaison entre les entreprises non-familiales et les entreprises familiales à fort contrôle, sur la base de l'année 2007;

4, la comparaison entre les entreprises non-familiales et les entreprises familiales, sur la base de l'année 2008;

5, la comparaison entre les entreprises familiales à faible contrôle et les entreprises familiales à fort contrôle, sur la base de l'année 2007;

clearly support the hypothesis 1, that is, family businesses have superior performance than do non-family businesses in China. The outcomes of this research partially support hypothesis 2, that is, compared to non-FBs, FBs have stronger financial situation in term of liquidity and regarding long-term orientation. The outcomes in this research do not support the hypothesis 2 in term of indebtedness.

With limited samples, the test outcomes can generally bring two other findings: 1, generally speaking, strong-controlled FBs have superior performance than weak-controlled FBs, that is accordance with hypothesis 3; 2, generally speaking, strong-controlled FBs have better financial structure than weak-controlled FBs, and that is accordance with hypothesis 4.

6, la comparaison entre les entreprises familiales à faible contrôles et les entreprises familiales à fort contrôle sur la base de l’année 2008.

Principaux résultats

Pour notre recherche, nous avons construit 4 hypothèses. Selon le résultat obtenu, l’hypothèse 1 est validée par nos tests, c'est-à-dire qu’en Chine, les entreprises familiales ont de meilleures performances que les entreprises non-familiales. L’hypothèse 2 est partiellement validée : par rapport aux entreprises non-familiales, les entreprises familiales chinoises ont en matière financière une meilleure liquidité et une plus forte orientation à long-terme. Mais notre résultat ne confirme pas un endettement moindre pour les entreprises familiales en Chine.

1.9 Structure of this dissertation

Introduction is the first chapter which brings an overview of the background of FBs in the world and in China, and generally introduces the main content and organization of this research.

The Dissertation is then made of two parts. In broad terms, Part I is devoted to the literature review (Chapter 2 and Chapter 3), and Part II develops our empirical research (Chapters 4 and 5).

Regarding part I, the general review of literatures, as the second chapter, briefly highlights some debates and hotspots about the researches of FBs. Chapter 3 concerns those theories which could help interpret better performance and financial structure of the family businesses around the world.

Nos tests d'hypothèses nous apportent deux autres résultats :

1) En général, les entreprises familiales à fort contrôle ont de meilleures performances que celles à faible contrôle. Ce résultat correspond à notre hypothèse 3;

2) Les entreprises familiales à fort contrôle ont une meilleure structure financière que les entreprises familiales à faible contrôle. Cela correspond à notre hypothèse 4.

Structure de la thèse

Le premier chapitre est l'introduction, consacrée à un résumé sur le contexte des entreprises familiales au niveau mondial et en Chine, et à la présentation du contenu et de l'organisation de la thèse. La thèse est ensuite structurée en deux gran-

Regrading Part II, Chapter 4 introduces the hypothesis and methodologies set in this research. The tests results, discussion and findings are shown in Chapter 5.

The research's conclusion and issues related to limitation and future research are taken up in chapter 6.

Supplementary data as well as other vital material are provided in the appendices, following the references. To be noticed is that, all testing processes and other materials included in appendice are recorded into CD-rom which is attached on back cover, since they occupy a huge number of pages (around 1000 sheets).

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des parties, la première relative à l'examen de la littérature, et la seconde consacrée à notre travail empirique.

Concernant la première partie, le second chapitre présente une revue de la littérature pour souligner les questions clé souvent discutées dans les recherches sur les entreprises familiales. Ensuite, le troisième chapitre présente les théories qui permettent d'interpréter les meilleures performances des entreprises familiales et, souvent, leurs meilleures structures financières.

Concernant la seconde partie de la thèse, le chapitre 4 présente les hypothèses et la méthodologie de la recherche. Les résultats de la recherche et la discussion basée sur ces résultats sont insérés dans le chapitre 5. Le dernier chapitre est une conclusion générale, dans laquelle nous avons notamment souligné quelques limites de notre travail et suggéré quelques propositions de recherches futures. Est ensuite fournie la bibliographie complète des références utilisées.

Tout le processus et les sorties informatiques des tests sont fournis dans le CD-Rom qui est attaché au dos de la couverture, compte tenu du grand nombre pages qu’il contient (environ un millier).

Part I: Theoretical Foundation of the Research

Part I is devoted to the theoretical foundation of the research. Chapter 2 will provide a general review of the literature on Family Businesses, highlighting some debates and hotspots on the subject. Chapter 3 concerns major theories which could help interpret better performance and financial structure of the family businesses around the world.

Chapter 2. General review of the literatures

2.1 The definition debates of family businesses

As Handler (1989) commented, the principal question to academy field on family business worldwide involves the very definition of the term "family business". Defining the family businesses is the fundamental necessity for progress in this research field.

In order to understand what family businesses are and develop a theoretical definition for this phrase, the reason of FBs' existence, the differences between FBs and NFBs need to be clear. Furthermore, it's important to know what factors make family businesses more or less successful in surviving, growing, and achieving economic or non-economic performance.

As Chrisman et al. (2007) summarize, the reciprocal economic and non-economic value is created through the combination of the system of family and the system of the business. This is the reasons why FBs exist. As Habbershon and Williams (1999) create the word "familiness", which composes of these two systems thus can lead to hard-to-duplicate capabilities. Then, what are concrete factors which can determine the scale and scope of the FBs? First of all, the family involvement is the indispensable condition for a family business with no doubt. The crucial question is, which aspects the family involvement embodies in the firms.

However, family business researchers are confronted with definitional confusion when they try to respond the above-mentioned questions (Brockhaus, 1994). Wortman (1994) even points out that there are at least 20 different definitions for FBs. Litz (1995) summarizes two approaches to conceptualize the family businesses. The first approach is structure-based, considering family involvement in firm ownership and management. This approach is consistent with the conventional definition for a family business. The second approach is intention-based, focusing on management's intent to maintain or increase intra-organizational family involvement.

In general, in order to summarize so many diverse definitions by researchers, probably those definitions may be classified mainly as three types of approaches: except the structure-based approach and the intention-based approach posed by Litz (1995), there is also the behavior-based approach (Chua, Chrisman and Sharma, 1999). Besides, here is also a brief discussion about the cultural-based recognition of a FB from the view of Chinese researchers.

2.1.1 The structure-based approach

Most of researchers adopted this method to define a family business. Ownership, management and governance are essential criteria in this approach. However, with few exceptions, the definitions from literatures do not differentiate between governance and management (Chua, Chrisman and

Sharma, 1999). Or, as Shanker and Astrachan (1996) considered, Family businesses can be defined narrowly or broadly; in the former, the family is involved in the daily business running, whereas in the latter, the family set the strategic direction for the business. Following their idea, whatever the narrow or broad way to define the FBs, the management involvement by family is the necessary condition for a FB definition. Thus, this kind of approach emphasizes on controlling ownership or management involvement.

-Ownership Control

Almost all researchers consider that family's controlling ownership in the business is one necessary criterion to define a FB. That means, if the holding of shares by a family reach a certain proportion of the total shares of the firm, it can be called a FB, as the following examples showed:

In terms of ownership, Barnes and Hershon (1976) define family businesses as firms in which significant voting rights or ownership is controlled by a member or members of a single family. Similarly, Lansberg, Perrow and Roglo (1988) consider the family business as which the family members hold most of the ownership.

Villalonga and Amit (2004) set up a minimum threshold of 20% of family ownership for any firm to qualify as a family business. This kind of criteria for FBs indicates that the families involve in the firms through the distribution of capital and the voting right. Or in other words, the families control the firms by ownership.

- Management involvement

The other important aspect of family involvement by this approach reflects in management dimension. Besides the families' ownership control on the firms, the family involvement through management is more likely to direct and lead the whole company toward behaviors and strategic management that produce certain distinctiveness based on a vision, thus generate a unique and hard-to-duplicate competitive capabilities and cultural recognition compared with non-FBs.

A fairly large number of researchers define family business by both of the two criteria together. That is, they considered that a complete definition for a family business should include both ownership and management involvement by a family. For examples:

Rosenblatt, de Mik, Anderson, and Johnson (1985) define a family business as: the family holds a significant part of the capital, and at least one family member holds the top management position. Stern (1986) argues that family businesses are owned and managed by members of 'one or few families'. Hollander and Elman (1988) thought that family business could be defined as a firm which is owned and managed by at least one or two family members.

Longenecker, Moore, and Petty (2000) define a family business as an enterprise in which family members are directly involved in the ownership and/or functioning of the business. Zheng, Li and Zeng (2004) note, the family business is one enterprise organization that is created by the family and in which the family members play a dominant role in asset ownership, management and decision-making.

Obviously, these kinds of definitions consider that the extent to family involvement in FBs contains not only the ownership but also the control through management, or at least the part of management control the family holds.

Therefore, this kind of definitions depending on structure-based approach includes qualifying combinations of ownership and management:

(A) family owned and family managed;

(B) family owned but not family managed; and

(C) family managed but not family owned

As Chua, Chrisman and Sharma (1999) summarized, there appears to be total agreement that a business owned and managed by a nuclear family is a family business. Once one deviates from that particular combination of ownership pattern and management involvement, however, researchers hold different opinions, although most authors seem to prefer combination (B) over (C).

Similarly, Kurashina (2003) considered the three types of FBs, and non family businesses, which he called Type A.

Type (B) family members hold management positions or are on the board of directors and are among the main shareholders;

Type (C) family members do not hold top-ranking management positions but are among the main shareholders;

Type (D) family members hold top management positions or are on the board of directors but not among the main shareholders.

The three circles diagram (Figure 2.1) can help to illustrate the different types of FBs by composing of ownership and/or management involvement. As figure-2.1 shows, the area 2 represents type C FBs and area 3 represents type D FBs, classified by Kurashina (2003) as the weak-controlled FBs. Area 1 illustrates the type B FBs, which combines both the ownership and management involvement of a certain family in the firm, so that it is considered as a strong-controlled FB.

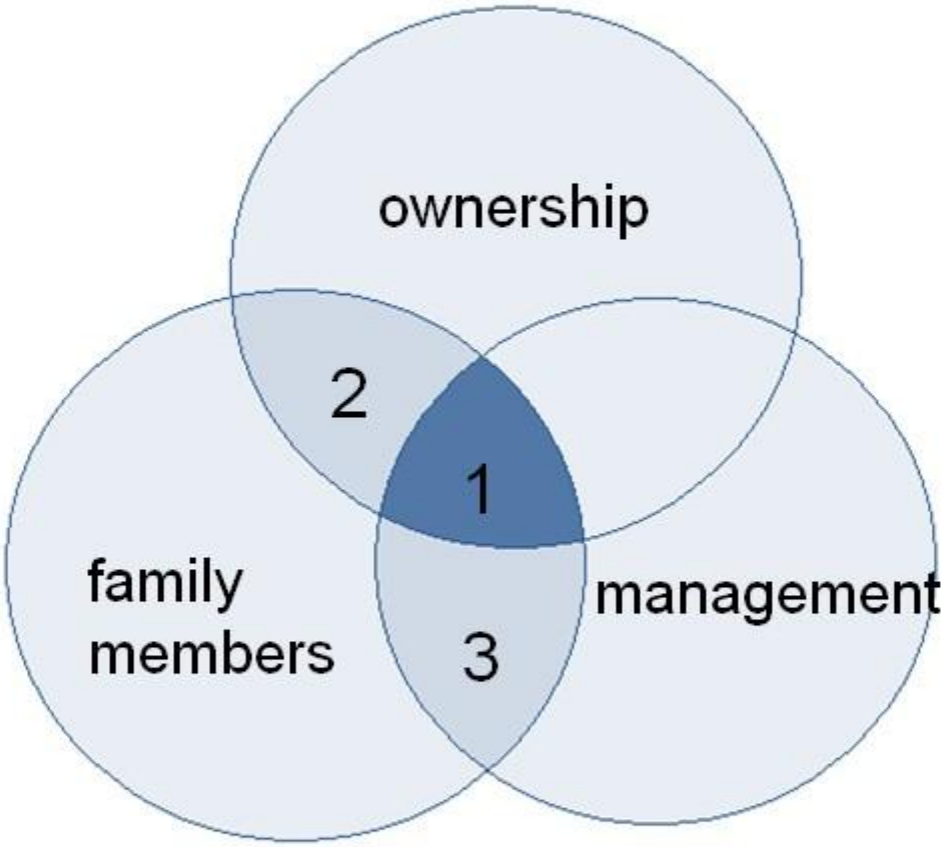

Figure-2.1: three circles diagram (Tangier and Davis, 1983)

Therefore, according to the structural-based approach, or the operational way as Sharma, Chrisman and Chua (1999) suggested defining a FB, the family involvement has usually been categorized in terms of ownership and management.

2.1.2 Intention-based approach

Family succession or trans-generational control is considered as one criterion for the definition of FBs. In other words, whether the same family maintained control of the business for multiple generations, or the owner aimed to pass the business to next generation, is considered as a part of the definition.

Ward (1987) and Donnelley (1988) consider that family businesses can be defined as a firm with at least two generations present.

Shanker and Astrachan (1996) define a family business as one where multiple generations of the same family maintain control of the business, and are directly involved in running and managing the business.

Litz (1995) propose that according to intention-based approach, the definition of FBs should focus on management's intent to maintain or increase intra-organizational family involvement.

This criterion emphasizes the continuity of family control on businesses through multi-generations involvement. The appropriate explanation for this dimension is whether the families who are controlling the firms have the intention to transfer their business into next generation or other family members. In other words, it depends on whether the families intend to maintain their control consistently even permanently through business succession by family members.

Otherwise, the idea from Westhead and Cowling (1998) is defining family businesses partially by whether the firms consider themselves to be family businesses, because the firms with the same extent of family involvement may or may not consider themselves family businesses. However, as Chrisman et al. (2003) point out, this approach to identify family businesses may be operationally convenient, but it is theoretically unsatisfactory resulting in questioning which kind of firms classify themselves as family businesses. Moreover, it may exclude some firms who have characteristic behaviors that are fundamentally identical to FBs from the population of FBs.

As the research on definition of FBs developed, some researchers suggest that the complete criteria for FBs should consider both the structure-based approach and the intent-based approach. It should thus contain all of the three elements, ownership control, management involvement and intention for family succession. That is, the method to define a FB should combine both the structure-based and intention-based approach. For example, Miller and Le Breton-Miller (2003) think that a FB is one in which a family has enough ownership to determine the composition of the board, where the CEO and at least one other executive is a family member, and where the intent is to pass the firm on to the next generation. Comparatively, this classification is a strict one for identifying a FB.

2.1.3 Behavior-based approach

Chua, Chrisman and Sharma (1999) suggest that a theoretical definition for FB must identify the essence that distinguishes the family businesses from other businesses, while the point usually was being missed by operational definitions. They think that a company is a FB because it behaves as one and that this behavior is distinct from that of non-FB. This kind of behavior is to serve a purpose, which is to shape and pursue the vision of one or a few families that control the dominant coalition in the firm. Researchers believe that the family involvement shapes business in a manner that the family owners and executives in non-FBs do not and cannot (Lansberg, 1983; Chua et al., 1999).

Therefore, family involvement must be directed toward behaviors that produce certain distinctiveness based on a vision of the firm before it can be considered as a family business (Chrisman et al, 2003). While family involvement is only a necessary condition, it is not sufficient to make a firm a family business based on that approach. Thus two firms with the same extent of family involvement may not both belong to family businesses because one of them could lack of vision, familiness, or behavior emanating from family involvement. According to their definition, a FB is “a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families”. Probably, their definition is comparatively the strictest one among others.

2.1.4 Cultural-Based View

In accordance with the definition criteria of a FB discussed from western studies, a certain number of Chinese researchers argue that a FB should also be recognized from a cultural-based view. Zhou (2003) proposed that the strategic planning process in a Chinese FB is consistent with family interior decision making procedure. Qin (2002) considers that the genetic relationship, blood lineage, and trust relationship should be considered as the essential factors of a FB. Yao (2002) emphasizes on paternalism, the interpersonal relationship and the authority structure on the basis of genetic relationship within a FB.

The Chinese researchers concern about whether the family culture and value penetrate into the firm and even transfer their decision-making process into the firm. In short words, from the culture-based view, the researchers also care about whether the family culture and value influence on the structure, governance, management and ownership of the firm.

2.1.5 Brief Summary of the Definitions Diversification

To conclude, there is still not a precise definition of the term “family businesses”, because it is still very difficult to have a definition of the term which can be approved by all of scholars. Therefore, the ratio of FBs varies dramatically depending on the different definitions used in a study (Westhead et al., 1998). However, the significance of the three components above-mentioned, which are ownership, management, and intention for family succession, has been accepted by a lot of researchers worldwide.

Regrettably, researchers have had problems making any of these components accurate (Chrisman et al. 2007). For example, researchers cannot reach consensus about the threshold of ownership hold by a family for identifying a FB. Definitions differ from one hundred percent ownership to the majority of shares until the 10% shares control (Chua et al., 1999).

Also, some researchers require ownership control or management involvement alternatively while others require both ownership and management involvement. The debates also include whether the management involvement is a necessary condition or is just an alternative condition. The measure of cross-generations and the extent to who can be identified as a family member are also continuingly discussed.

Therefore, it seems like the problem is not always about the differentiation between the firms which are clearly FBs and which are clearly not; the issue is rather than the "grey area". That is why the theory-based family business literature thus rarely focus primarily on the differences between family and non-family businesses (Chrisman et al., 2005), while the majority of articles in this area focus on comparisons among different types of family businesses (Chrisman et al., 2007).

Moreover, as Allouche et al. (2008) pointed out, a consensus definition may be hard to accomplish because Family Businesses are "contingent on the institutional legal context, which differs from country to country", and the share of capital needed for effective control and the rules that dissociate ownership and voting rights differ from country to country.

In addition, not only the theoretical criteria but also the operational feasibility for the process to identify a FB should be concerned in empirical studies. Since it may be difficult and sensitive in empirical studies to ascertain the management's intent with respect to the degree of intra-organizational family involvement (Tsang, 2002), the structure-based approach is more likely to be used in empirical researches. It's usually hard to truly realize the intention or goals of an existing family who is operating a firm and it may exclude the FBs which are controlled by first generation of family members from the group of FBs resulting in respect to the cross-generation observation.

2.2 The various aspects of the researches on FBs

2.2.1 Strategic Management Process of FBs

Sharma et al. (1997) analyze the family influence on a firm from a strategic management view. Family influences are involved in all parts of the strategic management process, which could be simplified in four steps: goal and objectives must be selected firstly, then strategies formulated to achieve the goals and objectives, the implementation of the chosen strategy, finally the organizational performance resulting from the previous steps. The family businesses differ from non-family businesses because the owner-family's interests and values influence on every stages of strategic management process.

Family influence penetrates into strategic management through various ways. Family interests and values influence and compose the goals and objectives set for the firm. The succession within the family as well as for the business is one of the most crucial factors determining the long oriented strategic decisions of the firm. Family's considerations actually affect strategic consideration due to the fact that the goals and objectives set for the firms are actually influenced by family thinking. Family relationships and the family ways of leading non-family managers and the whole organization can impact on implementation process and control. Family involvement in implementation can create its own dynamics, politics, and results.

From the strategic management perspective, the business performance is determined by how well an organization fulfills the requirements regarding the opportunities and threats in its environment, the resources it possess or can be procured, the values and the cultures, as well as noneconomic responsibilities held by its leaders and the whole organization.

2.2.1.1 Goals and Objectives

Because of the family involvement, the goals and objectives of a family business may be quite distinctive compared to non-family businesses which are usually pursuing the firm-value maximization as the goal. For instance, succession is the primary goal in many family businesses, because their aim is to keep the firm as family's legacy and pass it to the next generation.

According to Sharma et al. (2003), a family business is more likely to have "multiple, complex, and changing goals rather than a singular, simple, and constant goal". Ward (1987) states a three-stage development model of the family business. In the first stage, that means on the early life of firm, the needs of the family are consistent with the needs of the firm, and the owner-manager makes all decisions. In the second stage, the growth and development of the next generation become the primary importance for the family, so that the FBs are likely to change their goals in order to better arrange the future development for their next generation. In the last stage, the conflicts exist between the needs of the business and the family. Various reasons could result in this consequence: as the business has been developing for a period, it can become stagnant, because of lack of regeneration thought and activities conducted in the firm; the owner-manager feel bored of working, or intend to retire; the primary goal of the family is to maintain the family harmony while in contrast of the business goal from an entrepreneurship perspective. In Summary, the goals and objectives in FBs may change in response to family needs.

2.2.1.2 **Strategy Formulation and Content**

The studies concerning about the process of strategy formulation and the content of strategy in FBs are still limited and scattered.

The earlier findings about strategy content in FBs research focus on the strategies and policies adopted by FBs compared to non-FBs. For example, Lyman (1991) finds that FBs emphasize personal values over corporate values in customer service policies; Donckels and Frohlick (1991) provide the evidence that FBs concern on growth potential more than on short-term sales growth, and pay higher wages to employees compared to non-FBs; Kahn and Henderson (1992) find little difference in the location preferences of FBs and non-FBs. Trostel and Nichols (1982) discover a higher rate of sales growth, and greater emphasis on asset utilization in FBs.

Regarding the strategy formulating for the new generation in FBs, Post (1993) suggests that FBs must set up a new strategy for each generation who joins the firms for maintaining the successful operation in the businesses. That could provide a good environment for the newly joining family members, thus help keeping good work relationships. Wong (1993) considers that FBs need to help successors acquire skills that other family members do not possess.

2.2.1.3 Strategy Implementation

As Horton (1996) states, Family businesses have to deal with two kinds of relationships in an appropriate way for conducting successful strategy implementation: the relationship among family members and that between family members and professional managers. The researches on board configuration, the relationship between outside board members and family members, the intergenerational relationship, the influence of family culture have been developing for the study of this area.

2.2.1.4 Strategy Evaluation and Control

According to Sharma, Chrisman and Chua (1999), an organization should have an appropriate administrative and operating mechanism to control and evaluate the performance which should match the goals and objectives. However, FBs may evaluate the performance differently, since they may have goals, objectives, strategies and structures different from those of non-FBs. The family harmony and the continuity of family control on the firm may be more crucial than financial performance to a family who only consider its firm as one part of family treasure. However, it is still rare to find literatures which introduce the difference of strategic decisions and performance evaluation and control by FBs compared to non-FBs.

2.2.2 International Strategy

Two different kinds of views concern the internationalization of FBs. Gallo and Sveen (1991) consider that FBs are less globally oriented, because they have strong local orientation, and move slowly in making structural changes. On the other side, Swinth and Vinton (1993) propose that FBs possess some unique and important values which could be shared by different cultures thus enable FBs cross cultural barriers more effectively than non-FBs.

A certain number of researches suggest that FBs are relatively slow in the internationalization process (For example, Okoroafo, 1999; Graves and Thomas, 2006). In the case of Japan, Abdellatif et al. (2010) also find that FBs establish fewer joint ventures than non-FBs and resort relatively less to using general trading companies. The reason could derive from the need and preference of independent and risk aversion attitude of FBs. In addition, they do not find significant difference regarding the expatriation policies between FBs and non-FBs.

Some different findings come from other researches. Zahra (2003) provides the evidence to show that FBs compete successfully in international markets. Claver et al. (2009) find that a long-term orientation and non-family management are positively related to international growth of FBs. Rauch (2001) proposes that the core of network established by founding families or allied families can either promote or restrain internationalization.

Therefore, the findings regarding internationalization of FBs are still rather mixed.

2.2.3 Board Configuration

The board of directors is one of the most important governance mechanisms in business organizations (Blair, 1995). The studies on the board configuration of the FBs are very important, because boards can play an essential role in strategic decision making and consequently business performance.

Inappropriate decisions due to the inefficient composition of the board can lead to opportunistic behavior, increase monitoring cost without corresponding benefits, or harm the culture of the FBs (Chrisman et al., 2007). In a family business, the board can provide the foundation not only for a logical organizational structure, but also for establishing clear lines of authority and responsibility (Cadbury, 2000).

Jaskiewicz and Klein (2007) propose that goal alignment between owners and managers affects board composition and board size in family businesses. From the investigation on 351 family businesses, they show that high levels of goal alignment require a relatively small board with a low ratio of outside members. Relatively small boards can reflect high levels of goal alignment between owners and managers, while large boards with a high ratio of outside directors can reflect potential agency conflicts between owners and managers.

-Outside directors

The roles of outside directors in the boards of FBs have been discussed by many researchers. In a family business, the family and the business are sometimes embroiled so that irrational emotions may exist (Alderfer, 1988). Resulting from this situation, FBs are often advised to recruit outside board members, or, family councils (Lansberg, 1998; Ward, 1987), review councils (Jonovic,1989), advisory councils (Tillman, 1988) for those who are “not large enough to attract outside board members” (Sharma, 1999).

For FBs, hiring outside directors means sharing responsibilities and core information of the business with people who are not family members nor the executives. The values of outside board members discussed by researchers include that outside board members bring to the FBs fresh perspectives and new ideas (Jain, 1980); “monitor the process of the FBs and act as arbitrators” (Lane,1989; Mace,1971, Sharma, 1999); provide support to the new heirs in succession process (Harris, 1989); act as “catalysts” for change (Mueller, 1988).

Cadbury (2000) introduces a number of considerable advantages to have some experienced outside directors in the board of FBs, based on his first-hand understanding and long work experience in family firms which include his own family company. He states that the greatest value of outside directors is helping in formulating the strategy. Outside directors are in the advanced position in balancing the interests of firms with those of family owners who are not in the business, when some important issues like dividend and investment policy, alliance, takeover offers needs to be advised.

Outside directors can help to control “possible allegations of nepotism or self interest on the part of family executives” and even can be asked to give the evaluation on remuneration of the family board members. The ideas posed by competent outside directors based on their knowledge and experience of other business situations, can balance the possible doubt and dissatisfaction from some family members. The participation in board by outside board members can ensure the equal position for every member within the board. Therefore, the special problems involved by family relations can be avoided in involving outside directors in the board in the board.

On the contrary, some researchers depreciate the values of outside board members, because of the reasons such as lack of knowledge about the company and its environment, lack of availability, and a lack of authority, lack of freedom from political pressures due to they are obligated to the owner-manager who is actually their boss (Ford, 1988; Jonovic, 1989; Alderfer, 1988). Besides, professional management teams, effective financial planning and strategic planning efforts can mitigate the need for outside directors (Jonovic, 1989).

2.2.4 Succession

Researchers consider that succession is one of the most important issue that most FBs should meet (for example, Handler, 1994; Le Breton-Miller, Miller and Sterier, 2002). As aforementioned, some scholars even affirm that succession should be one of the elements to compose the definition of a FB (for example, Ward, 1987; Shanker and Astrachan, 1996). Therefore, passing the business to family inheritor is an inevitable affair in a family business, so it is a part that has to be considered when family business sets the goals and formulates its strategy.

From a strategic management perspective, the prime objective of managing the succession process is to choose a best successor (Sharma, Chrisman and Chua, 1997). How to define a best successor depends on which kind of goals the FB sets up. If family only considers the firm as one of the family treasures but give less weight to it than to family harmony, then the successor should make efforts forward this goal. On the other hand, if family sees the profitability and the development of the firm as the most important goal, then a very capable and well trained candidate should be expected. In addition, the succession timing should be appropriate otherwise it could lead to tensions and negative effects to the firm. As some suggested, a succession planning could help a smooth succession (Davis and Tagiuri, 1989).

The researches on the succession of FBs are still limited in mainland China, where most family businesses are still owned and managed by the first generation. According to the report of ForbesChina (2012), only 7% of family owned listed companies had been taken over by the second generation until the year 2011.

In western studies, mainly five branches could be summarized as the most investigated subjects, as Handler (1994) points out:

1. Succession as a process: it concerns on the different stages of the succession and the role of the successor during different stages of succession process (Le Breton-Miller, Miller, and Sterier, 2004; Sharma, Chrisman and Chua, 2003a). The studies in this area also include: ownership continuity problem, management continuity problem, power and asset distribution, succession timing, and the firm's reputation and role in society which should be faced by owner-managers of FBs (Beckhard and Dyer, 1983).

2. The role of the founder: the research in this branch investigates the personality and managerial styles of the founder, his influence on the business development, his ideas and difficulties when he makes planning of succession, and his way to retreat from the role of leadership (Astrachan and Kolengo, 1994; Lansberg, 1988; Sharma, Chrisman and Chua, 1996).

3. The angle from the next generation: it studies the importance of the preparation of inheritors in FBs, their skills, capabilities, trainings, experience and commitment to the FBs, and their relationship with the incumbent and non-family managers (Chrisman, Chua and Sharma, 1998; Handler, 1992; Sharma et al., 2001). In addition, Ambrose (1983) suggests that early fostering and training of potential successors could help them increasing the interests and consciousness of responsibility of the firm.

4. The analysis of various systems: it discusses that different systems should be considered while making the decision related to succession and during the succession process. The perspectives of multiple stakeholders and the different parts of FBs themselves (for example, the family, management, ownership and so on) should be taken into the account (Churchill and Hatten, 1987; Lansberg, 1988; Davis and Tagiuri, 1982).

5. The investigation of efficient and effective succession: explore the characteristics of the successful transitions (Barach and Ganitsky, 1995; Davis, Schoorman and Donaldson, 1997; Sharma, Chrisman and Chua, 1997).

To summarize, the succession related problems, which mainly include, the way to choose a successor, succession process and timing, the training of the successor, the relationship between potential successor and incumbent, and between potential successor and non-family members and other stakeholders have attracted the interests in academic field. Considering that these problems can actually influence the strategy formulation and firm performance, the succession should be planned and managed by the decision makers of family businesses.

2.2.5 Culture and Value

The culture dimension concern on the extent to which the family value influence on business. According to the academic literature, the two fundamental elements that most FBs experienced in this field are trust-based culture and altruism-based culture.

Trust-based relationship between family members becomes an important source of strategic advantage (Steier, 2001). The trust-based culture within FBs could avoid communication barriers between family members, and promote the information in the firm. Hence, the trust-based culture within FBs leads to reduce complexity and transaction cost (Luhmann, 1968; Steier, 2001), and has positive effects on work group process and performance.

Altruism is a kind of value which is more likely to experience in a family business than in a non family one. In FBs, Altruism among family members may offer threat of sanctions from other family members, and hence reduce excessive monitoring cost and incentives-based pay (Chami and Fullenkamp, 2002; Randoy and Nielsen, 2002).

Moreover, Dyer (1988) proposes that four various cultures, which are paternalistic, laissez-faire, participative, and professional cultures, could help to analyze the framework of relationships between family members and non-family members. This classification of FBs cultures is based on different assumptions about human nature, relationships, and the environment. The researchers in this field need also to identify in which situations, the different cultures are associated with superior performance.

2.2.6 Fairness

Cadbury (2000) introduces in his book *Family Firms and Their Governance* the importance of fairness felt among family members or by employees in FBs.

In FBs, consciousness of fairness and transparency is essential for both family and non-family members regarding the way the financial and non-financial benefits are distributed. The asset and income of the firm actually belong to the family if the firm is still controlled by the family. The way the leader of the FB is distributing rewards to family and to non-family members seems to be important for maintaining employees’ motivation and harmony in the organization.

Unfair allocation of benefits can result in contentions within the firm, including in family businesses. The discontent of non-family members can derive from when family members benefit from using firm’s asset without a hitch such as use firm’s facilities and access to transport, while non-family members cannot. The conflicts and ructions among family members can result from unjust distribution of rewards or recognition with regard to one’s contribution compared with another one, as well as one benefit from other’s expense.

Cadbury (2000) also suggest the separation of family judgment from business judgment. Once there are family members holding shares of the firm but not being involved in its management, or who involving in management of the firm but are not holding its shares, it is crucial to distinguish clearly two factors:

- return from owned shares in ownership and
- remuneration for management work

Otherwise, the family owners could consider that the family managers get too much benefit from the firms; while the family managers think that the rewards they received are far from what they contribute into the firm.

2.2.7 General strengths of FBs

Many researches mention or discuss the advantages the family businesses normally own compared to non-family businesses. To summarize these characteristics, Credit Suisse (2007) highlights the following strengths of FBs:

- long-term commitment of owners,

- superior labor relations compared to more stock-market-driven enterprises,

- visible and identifiable ownership, in contrast to ownership by numerous institutional investors,

- a track record of standing by their companies during hard times,

- trademark names that continue to open doors in the business community,

- consistency in decision-making and business practice, thereby lowering the business risks for external providers of capital,

- better alignment of owner and management interests,

- promotion of innovation and entrepreneurship in a politically unstable setting.

2.3 Asian Family Businesses

Asian FBs not only own the general characteristics of FBs worldwide like long-term commitment and stable investment strategy, they are also influenced by Asian family values. Asian FBs normally have a strong desire to pass on the family career and property to family heirs. Traditional Asian culture very concentrates on family’s harmony, continuity and succession, and on the personality such as diligence, thrift and the responsibility to the family which are advocated in the culture system.

These traditional Asian values of humanism and altruism motivate Asian FBs to maintain inheritance of the firms to the next generation. That is why Asian FBs have a strong incentive to avoid "high-risk and value-destructive diversifying acquisitions and support more generous dividend payout policies" (Credit Suisse, 2011). Therefore, Asian FBs offered a higher average yield than the broader market from the period 2000-2010, except in 2002 during the internet bubble crisis. Moreover, compared with Western FBs, Asian FBs have shorter publicly listing history and interaction with minority shareholders.

2.4 Chinese family businesses

2.4.1 The influence of culture on Chinese family businesses

Chinese family businesses (CFBs) have their origins in Chinese culture and philosophy (Menkhoff, 1993), which deeply influence their strategies and management systems. Without understanding the origins, it is hard to wholly understand the complexity of business relationships and practices, as well as the values and social common sence which continue to shape Chinese family businesses.

Many aspects of Chinese culture, influenced by Confucianism, combine to promote traditional respect for age, hierarchy, and authority in the Asian business environment (Zapalska and Edwards, 2001). Confucian culture emphasizes the values of paternalism and collectivism, both of which contribute to Chinese business relationships. More importantly, Chinese culture advocates conformity rather than individuality (Begley and Tan, 2001) and this is important in shaping managerial style (Hugh, 1986). The centralization of decision making is acceptable in such a cultural context. Moreover, Chinese have a strong commitment to family, and thus business is perceived as an extension of the family system (Zapalska and Edwards, 2001).

2.4.2 The characteristics of CFBs

According to Tsang (2001), because of the influence by Confucianism, the managerial ideology of FBs is shaped by such Chinese cultural values as clear hierarchy, reciprocal vertical obligation, and benevolent autocracy. Authority and control are highly centralized in CFBs.

CFBs have common managerial characteristics such as being human-centered, centralized decision-making, autocratic and paternalistic leadership styles, and the nepotism which very often exist (for example, Kirkbride and Tang, 1992). The head of a Chinese family-owned business typically is a “paterfamilias”, all-powerful in both social and economic spheres (Weidenbaum, 1996, P141).

Redding (1990) points out that CFBs normally make key strategic decisions in a family council behind closed doors and beyond the reach of non-family members. The head of family delegates key activities and positions to members of the family and make the final and crucial decisions. The internal system of coordination and control is highly personal, while extensive networking and relational contracting are used when dealing with the external environment. In addition, CFBs prefer to have tight control on financial and production management.

2.4.3 The significant place of trust in CFBs

According to the academic literature and to common knowledge in China, the owners of the Chinese family businesses believe that trust is the most important factor for their business. The CFBs (particularly the small and middle sized CFBs) do not rely mainly on formal contracts. Instead, trust is the foundation for financial arrangements and other transactions (Kienzle and Shadun, 1997).

In CFBs, top management positions are often filled by close family members, and the head of family makes the overall command. Non-family members are employed based on trustworthiness and loyalty, and they have to serve the company for a long time before they are trusted and promoted to senior or top management positions (Tsang, 2002). Chinese trust their families unconditionally but they trust their friends and others only to the degree that mutual dependence has been established and trust invested in them (Tony, 2001). The shortcoming of this trust mechanism is the existence of nepotism, as the non-qualified family members could be hired and take the important management position so as to finally harm the company's benefit.

2.4.4 CFBs in Mainland China

In Mainland China, FBs appeared along with the development of businessmen and private economy. Since the open-reform policy adopted by China's government in the end of 1970's, FBs of mainland China have passed the initial stages of the accumulation of adventuring capital, and switched to the stages of organizational change and development (Zhong and Shi, 2007).

According to *Capital Week*'s investigation on the background of listed companies in China depending on the year 2007, 421 out of 1,591 listed companies which have registered on the Shanghai and Shenzhen stock exchange markets belong to family-controlled businesses. In China, the FBs are mainly in manufacturing industry, information transmission, computer services and software industry, and real estate industry. As already stated in the introduction chapter of this dissertation, there are no listed FBs in finance and insurance industry, and FBs rarely exist in Mining and Quarrying industry, public utility industry, social service industry and publishing and culture industry.

As Asian Family Businesses Report 2011 indicated, in China, FBs play a less prominent role than other Asian countries, due to a high degree of "government involvement in the mobilization of savings and industrial development".

Besides, the differences in the level of "development of banking and financial markets and their ability to intermediate savings" are also the reason of that.

After initially launching the businesses, FBs intend to develop, which requires bank finance firstly. In following steps, financing from the capital market is needed. Hence, where the banking and capital markets are less developed or the level of governmental involvement and directing is comparatively higher, the credit is more difficult to get, and FBs tend to play a less significant role.

In the past two decades, the research on family businesses has been rapidly developing and also attracting more and more researchers in mainland China, as introduced in chapter 1. For instance, Chu (2000) introduces the general situation of FBs in China and the direction for future research in his influential article in Chinese academic field; Li (2007) reports the development of the FBs in China from the perspective of family business contract; Wang Yan (2007) estimates the family businesses form the agency theory perspective; Shi and Shi (2010) analyze the corporate governance of FBs in China.

As one of the fastest and biggest growing economic entity, the research on family businesses, which has became the very important formed business in mainland China, seems crucially and inevitablly.

2.4.5 Brief Summary

There are three main features of Chinese family businesses that distinguish them from family businesses in other nations (Tsang, 2002). First, managerial ideology is influenced by Chinese cultural values, and reflected as clear hierarchy, reciprocal vertical obligation, and benevolent autocracy. Authority and control are highly centralized. Second, CFBs highly rely on trust when undertaking financial arrangements and other transactions. While dealing with the external environment, Chinese family businesses make use of extensive networking and relational contracting (Redding, 1990).

The third feature is the way of business succession. The legitimate heirs of Chinese family businesses are usually the owner's sons, who have the equal rights of inheritance, rather than any other family members. However, this practice of business succession has a disintegrative effect on the family businesses (Wong, 1985). To be noticed, the third feature is not relevant for FBs in mainland China, where stated a one-child policy since the end of 1970s. Hence, in mainland China, either the son or the daughter actually has the same right of inheritance in those one-child families. Moreover, for those FBs which have taken over by the second generation in mainland China, the daughter in law or son in law also participates into the board. One-child situation in these owning families is the main reason of that (ForbesChina, 2012).

Chapter 3. Various theoretical foundations to interpret the better performance of family businesses

3.1 Principle- Agent Problem / Agency Theory

An agency relationship is defined as "a contract under which one or more persons (the principal(s)) engage(s) another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent" (Jensen and Meckling, 1976, P308). The basis of agency theory comes from the conflicts between the interests of principals and agents. The agency problem arises because of the difficulties of perfectly contracting for every possible action and behavior of an agent whose decision affects both his own benefit and the benefit of the principal (Brennan, 1995b). Because of different interests between shareholders and companies' managers, they may pursuit maximizing their own interests, thus the interest conflicts exist between the two sides.

Then, concerning this agency problem, how to keep the agent to always act at the way which maximize principals' interest is a main subject that Jensen and Meckling (1976) and other scholars developed in their researches (for example, Fama and Jensen, 1983).

3.1.1 Information Asymmetry

Asymmetric information deals with a situation in which one party involved in transaction with another has more or superior knowledge and information than the other (Akerlof, 1970). It assumes that at least one party of a transaction has more complete or better information whereas the other(s) do not. Information asymmetry can lead to opportunistic behavior, which could be classified as *ex ante* opportunism and *ex post* opportunism; accordingly the former correspond to adverse selection problem and the latter to moral hazard problem. In agency problem, asymmetric information between shareholders and agents could lead to the opportunistic behaviors of the agent, who may act inappropriately without proper monitoring and evaluating, finally resulting in harming the shareholders' welfares.

Opportunism is the conscious practice and policy of enjoying selfish advantage of circumstances – with little respect for principles, or with what the consequences are for others. Opportunism means a particular way of responding to opportunities, which includes the element of self-interestedness plus disregard for relevant (ethical) principles, intended or previously agreed goals, or the shared concerns of a group (Financial Times, Oct 25, 2011).

Information asymmetry maybe reduced between family members, which reduce agency cost in family members.

3.1.2 Agency Cost

According to Jensen and Meckling (1976), Agency cost is the expenditure used for that the principals (shareholders) ensure agents (companies' managers) will act in principals' interest. The agency cost may include the costs of investigating and selecting appropriate agents, gaining information to set performance standards, monitoring agents and etc...

Agency cost arises because the company's executives (the agents) may act in their own interest in a way that is detrimental to shareholders (the principals) due to information asymmetry and interests conflicts. For example, they may raise their own salaries to an unrealistic level, or buy some luxury cars for the company to satisfy their own comfort. They may also spend the money of the firm in pursuit of some short-term benefit for the firm by harming its long-term development. As a result, these activities harm the value of the company and the shareholders' interest. Agency costs should be reduced by providing appropriate incentives to align the interests of both agents and principals (Jensen and Meckling, 1976).

Due to the information asymmetry (Akerlof, 1970), the principal has to limit the divergence from his or her interest by providing the proper incentives to the agent, or by deploying the monitoring cost assigned to reduce the opportunistic action by the agent. Therefore, agency cost can be considered as the loss from the value owned by shareholders, arising from divergences of interests between shareholders and managers.

Jensen and Meckling (1976) define agency costs as the sum of:

1. the monitoring expenditures by the principal,
2. the bonding expenditures by the agent,
3. the residual loss

The monitoring costs are the costs paid by the principal aim for measuring, controling and observing the agent's behavior. This kind of costs may include the cost of audits, writing executive compensation contracts and even the cost of firing managers, and etc…

The bonding costs are the costs paid to set up structures in order to guarantee that agent acts in principal's best interest, or ensure that the principal could be compensated if agent doesn't.

Despite monitoring and bonding, some divergence between the agent's decisions and those which would maximize the welfare of the principal may remain. As this divergence ultimately reduces the principal's benefit, the losses arising from conflicts of interest are known as residual loss.

3.1.3 Moral-Hazard Agency Conflicts

Economist Paul Krugman (2009) describes moral hazard as "any situation in which one person makes the decision about how much risk to take, while someone else bears the cost if things go badly."

Moral hazard arises because an individual or an institution does not pay the full cost and responsibilities of its activities, and thus has more possibilities to act less carefully than it would be, finally leaving another party to bear some responsibility for the consequences of those activities. The car insurance against thieving buying from the insurance company by the customers could be a proper example to explain about the Moral Hazard problem. The customer may behave in less carefully way such as not locking the car because the insurance company takes the responsibility of the negative consequences of car theft.

Jensen and Meckling (1976) first stated a moral-hazard explanation of agency conflicts. Due to information asymmetry, the agent usually has more information about his or her actions or intentions than the principal does, while the principal usually cannot completely monitor the agent. As a consequence, the agent may have the tendency to act inappropriately in order to satisfy his own interest if the interest of the agent and the principal are not aligned, and the principal cannot be sure if the agent has made maximal effort on pursuing the principal’s interests (Eisenhardt, 1989). For instance, the manager may pursuit the private perquisites rather than investing in positive net present value project, because of the information asymmetric between the manager and the shareholders.

Shleifer and Vishny (1989) argue that rather than making no investment, managers may choose investments best suited to their own personal skills. Such investments increase the value to the firm of the individual manager and increase the cost of replacing him. Moral hazard problems are also related to a lack of managerial effort. As managers own limited equity stakes in their companies, their incentive to work may diminish.

3.1.4 Adverse Selection Problem

Adverse selection is a term used primarily in insurance, and in other fields, as well. It refers to a situation in which the buyer or seller of a product knows something about the quality or condition of the product that the other party does not realize, allowing them to have a better estimate about the true cost of the product (Akerlof, 1970). In insurance example, when there is adverse selection, people who take above-average risk is more likely to buy the insurance, while it is too expensive for those people who have under-average risk to be worth to buy it.

In health insurance case, adverse selection means that premium setting based on average risk is going to be more expensive than it should be for those who are healthy, and less expensive than it should be for those who are unhealthy and likely to need medical care. The insurance company cannot possibly know the individual factors that determine every single person's health condition due to the asymmetric information, so insurance rates are overpriced to under-average risk and underpriced to high-average risk.

In agency problem, adverse selection is the condition that the principal cannot estimate if the agent accurately represents his ability to do the work for what he is being paid. In this case, the principal cannot or it costs too much for him or her to determine if the skills, capabilities and properties stated by the agents are truthful. Adverse selection is a risk for the principal because if the agent does not have necessary skills and capabilities to perform the required task, then the principal is more likely to bear high costs or incur problems with other partners (Barbagallo and Comuzzi, 2008).

3.1.5 Earnings Retention Agency Conflicts

Studies of compensation structure have generally found that director remuneration is increasing along with the augmentation of company size. Hence, agent has a direct incentive to focus on size growth of the firm, rather than growth for shareholder’s returns (Jensen and Murphy, 1990; Murphy, 2000).

Jensen (1986) further argues that manager prefers to retain earnings, whereas shareholders prefer higher levels of cash distributions. Managers benefit from retained earnings as size growth of the firm. For example, they could enjoy a larger power base, greater reputation, an ability to dominate the board and the possibility to award themselves higher remuneration (McColgan, 2001; Jensen, 1986, 1993; Baker and Anderson, 2010).

3.1.6 Time Horizon Agency Conflicts

McColgan (1991) observes that conflicts of interest may also arise between principals and agents because of the different demand regarding the timing of cash flows. Principals will concern on cash flows for indefinite future. However, agents may only concern on cash flows of the firm for their term of employment. As a result, it also leads to decision makings in favor of short-term high return projects at the cost of sacrificing long-term project (Nealy, 1985). For example, less investment is put on research and development (R&D) due to agents approach retirement (Dechow and Sloan, 1991). The reason is that R&D expenditures reduce the compensation to agents in the short-term, and retiring agent will not obtain the benefits from such a kind of long-term investments, which concern very much principals in contrary.

3.1.7 Brief Summary

In summary, agency theory is concerned with the conflicts of interest between the agents who act as the representative of the principals. Theoretically, it arises from divergent interests and asymmetric information between the agents and the principals. If both parties have the same interests and goals, then there is no conflict of interest and no agency problem (Jensen and Meckling, 1976).

3.1.8 Advantages of FBs from an agency theory perspective

Jensen and Meckling (1976) argue that the value of the firm is positively related to the level of managerial ownership because of reduced agency costs. Fama and Jensen (1983) comment that agency problems between top managers and shareholders can be reduced if the residual claimants and the decision agents are the same. In other words, when ownership and management rest with the same individual, the need for costly monitoring by outside shareholders could be reduced, so that increase firm value. As a consequence, these researchers suggest that owner-managed firms would have zero or insignificant agency costs.

Numerous scholars support this consequence and develop it on family business (FB). Dalton and Daily (1992) argue that the FB is one of the most efficient form of organizations because of little separation between ownership, control and managerial decisions. Similarly, Hill and Snell (1989) propose that the reduction of agency cost in FBs is the result of the least separation between the functions of property, control and management.

Therefore, in simple words, from an agency theory perspective, the agency cost can be reduced in FBs because of the alignment of the goal and interest between owners and managers. The firm performance could thus be increased.

The information asymmetry is one of the underlying sources of agency costs of the public firms (Berle and Means, 1932), could be mitigated due to the close relationship between owners and managers because of the family ties and kinship. In addition, because of owner-management alignment in FBs, these firms benefit from patient investors with a long time horizon (Kang, 2000).

3.2 Stewardship theory

The stewardship theory has emerged from the fields of psychology and sociology. It was designed by Donaldson and Davis (1989, 1991) to examine situations in where senior executives as stewards for the organization are motivated to act in the best interests of the principals. The model of man in stewardship theory is based on “a steward whose behavior is ordered such that pro-organizational, collectivistic behaviors have higher utility than individualistic, self-serving behaviors” (Davis et al., 1997). The stewards have the motivation to do the best for the organization, because they believe that personal benefits ultimately come from organization’s prosperity.

According to the stewardship theory, the stewards behave in a collective way, because they intend to reach the objectives of the organization such as sales growth or profitability. Consequently, the principals attain the benefit from the behavior of stewards, because their objectives are developed by the stewards. For example, the principals such as outside owners gain the benefits through the positive effect made by the stewards on the profit of dividends and share prices. The steward manager maximizes the performance of the organization, acting under a situation that both the steward and the principal benefit from an organization with strong performance.

The stewards also do have “survival” needs. An income is necessary for them to survive. However, the stewards understand the trade-off between personal demands and organizational objectives, and believe that their own needs are met by working toward organizational, collective goals. Stewards believe their interests are in accordance with that of the corporation and its shareholders and “the utility gained from pro-organizational behavior is higher than the utility gained through individualistic, opportunistic behavior” (Clarke, 2004, P121). Hence, the steward’s interests and utility motivations are directed towards organizational objectives.

If an executive can be trusted and his or her motivation fits the model of a man underlying the stewardship theory, empowering the executives with the information, the tools and the authority lead to make good decisions for organization. A steward’s autonomy should be respected by the principal, in order to enable the steward to act in the best interest of the organization and maximize the long-term return for the organization. Therefore, the related cost for controlling the stewards (i.e., monitoring and incentive or bonding costs) are reduced in this case, because the steward have great motivation to act in ways that are consistent with the interests of the principals (Clarke, 2004). On the contrary, adopting control structures on stewards can lower the stewards’ motivation and be counterproductive for both steward and the organization

(Argyris, 1964).

In addition, Davis et al. (1997) discuss about the reason that a steward relationship is not always adopted in the organizations. The issues come back to the risks that the principals are willing to assume. The principals are more likely to establish a monitoring and controlling structure in the organization to ensure that the executives act in the appropriate ways. In contrast, it is not safe and easy for the principals to invest the time and energy to build the requisite trusting relationship with the executives in the short run, thus the steward relationship is not always accepted in the organization. The principal must have enough trust and confidence on the executive before he is willing to place full authority for the business in the hands of the steward.

3.2.1 Advantages of family firms from stewardship perspective

Stewardship is considered to be a capability associated with family businesses, as many of the traditional values of family such as trust, altruism and shared goals are embedded within the organization (e.g., Dibrell, 2010; Le Breton-Miller and Miller, 2010).

In FBs, the alignment of personal goals to firm goals, the importance of non-financial goals, and the nature of relational contracts between the owners and the managers of FBs are regarded as the sources of stewardship (Davis et al., 1997; Chrisman et al., 2007).

The personal goals of family managers are more likely to be subordinated to firm goals which are formulated by the family, because they are intrinsic to family managers rather than only firms' managers. People who are highly identified with the organization or who value commitment are more likely to act as stewards (Davis et al., 1997). In a family business, as the firm is part of the family identity, family managers have strong identification with the firm. Therefore, family managers are willing to accept and achieve the firms' goals, which are formulated by the owning family itself mostly. Besides, for the case of professional non-family managers hired in a family-owned firm, the owning family is likely to choose the non-family managers according to the two criteria: "identification" and "value commitment" (Chrisman, Chua and Sharma, 1998).

Family managers will also be motivated to concentrate on higher order intrinsic needs because of pursuance of nonfinancial goals in FBs. The emotion and sentiment-laden long-term relational contracts between family business owners and family managers will motivate family managers to pursue and maximize owner's interests (Corbetta and Salvato, 2004).

3.2.2 Brief summary

Stewardship theorists believe that the interests of family managers and family owners will be aligned when the following conditions are satisfied: family managers intrinsically intend to achieve the interests of owners; both family business owners and family managers have similar perspective and think highly about non-financial goals; and there is long-term and emotion laden relationship between family business owners and family managers.

If the above-mentioned situation occurs, the family managers will have enough motivation to maximize the firm interest rather than merely pursuing economic self-interest. Family managers may also seek self-actualization by achieving firm goals; and they know that they will have higher utility by achieving firm goals than achieving individual goals (Chrisman et al., 2007).

Moreover, the agency problem would be avoided if the above-mentioned situation occurs. Hence, the cost of ignoring agency problem would be zero. Implementing agency control mechanism would yield costs without benefit. On the contrary, imposing an agency control mechanism on family managers could actually lower their motivation as stewards, and may be "negatively affecting their pro-organizational behavior, both in the short and long run" (Corbetta and Salvato, 2004, p.360). Consequently, the business performance may be influenced negatively. To summarize, pure stewardship theory suggests that owners should not set up agency control mechanisms on family managers. Otherwise, the business performance would be worse.

3.3 Family Culture and Value: Altruism and Trust

Two foundational elements of family business culture are altruism and trust. Davis (1983), among others, suggests that the main elements to distinguish the successful family businesses from other non-family businesses contain altruism and trust.

3.3.1 Altruism

Altruism is a kind of motivation to provide something valued to a party or any others but the self. Pure altruism refers to sacrifice something valued for someone else but the self, such as sacrificing time, energy, with no expectation on any compensation or benefits.

The representative in this research area is Becker's paper (1974) on social interactions. In his article, Becker proposes the famous Rotten-kid Theorem, which explains the following phenomenon. If a household head is sufficiently rich and benevolent towards other household members, then other members, no matter how selfish, will take the actions that maximize the total family income, even at a cost to their own private income.

In the intergenerational case, the Rotten-kid Theorem is expressed as: "if the parent is altruistic, the kid won't behave in a manner that lowers the welfare of the whole family at least" (Bruce and Waldman, 1990).

According to Simon (1993), altruism means the behavior that can sacrifice the actor's benefit while enhancing the others’ benefit. In addition, the altruistic person can usually gain utility from other persons' utility.

Altruism lead parent to care for their children, promote family members to be good for others. Altruism exists because of the bond among family members (Simon, 1993; Eshel et al., 1998). This bond consists of a unique set of history, identity, language, and blood which can represent each unique family. Altruism can also facilitate loyalty and commitment to the family and to its prosperity (Ward, 1987).

3.3.2 The connection between altruism and family businesses

One foundational element of family business culture is altruism between family members. As previously introduced, altruism easily exists between family members, and it leads to be considerate of other family members instead of self.

Altruism very often exists in family businesses. The family manager has strong willingness to contribute to maximize firm's value, and in turn to let other family members share the benefit. The goals alignment between the owners and family managers is more likely to be achieved due to the altruism based relationship which lead them to consider the benefit of others.

A developed monitoring system and incentive-based pay are not required because of the altruism between family owners and managers. As a result, altruism within the family can lead to superior employment contract by reducing the agency cost which is needed for other kind of firms (Chami and Fullenkamp, 2002; Randoy and Nielsen 2002). Furthermore, family businesses can use a credible threat of sanction for all the family members in the case of one member shirking. This may allow family businesses to pay lower wages (De Paola and Scoppa, 2001).

3.3.3 The connection between the trust-based culture and FBs

Corbetta and Salvato (2004) find that most family businesses experience a trust based culture. Due to the kinship, the blood connection and the identification to the same family between family members, a trust-based relationship can be easily established and prevail in the FBs.

A trust based culture in FBs may become an important source of strategic advantage (Steier 2001). Because of trust, when making firm's internal transactions between family members, the transaction cost can be reduced (Steier 2001). In family businesses, a trust-based relationship can also reduce complexity (Luhmann 1968).

Trust between family members can enhance the level of cooperation and joint effort, and improve the efficiency in communication and collaboration. Therefore, trust has been considered to have a positive influence on work group process and performance (Golembiewski and McConkie, 1988; Dirks, 1999).

Moreover, according to Chami (2001), trust also mitigates the moral hazard problem between the principal and the agent, improves the agent's effort and performance, and finally earns more profit for the firm. A trust-based culture can actually improve the firm performance, especially for family businesses, because FBs are more likely to have a trust-based culture.

3.3.4 The importance of symmetric altruism and mutual trust

Importantly, researchers claim that only reciprocal altruism or symmetric altruism, and mutual trust can bring the above-mentioned advantages for FBs (for example, Stark, 1989). Symmetric or reciprocal altruism means that, both parties place the same level or weight other's utility as their own; similarly, mutual trust means both of the parties trust each other.

According to Bernheim and Stark (1998), the same level of altruism and trust can resolve conflicts between partners and direct them to cooperation. In contrast, altruism alone can raise a moral hazard problem between partners. Tsang (2002) suggests that, decisions based on mutual trust have lower transaction costs than those based on mistrust. Eaton, Yuan and Wu (2002) report that the reciprocal or symmetrical altruism within FBs can mitigate agency problem from their findings of economic analysis. Furthermore, Chami (2001) claims that the agency problems can be raised if there is only one-sided altruism or trust.

Lubatkin et al. (2007) study different types of parental altruism which may influence the governance efficiency of FBs. They suggest that the transfer of norms and values from parents to children precedes the transfer of goods, which minimizes the chances of children becoming spoiled. That is why families that practice psychosocial altruism, which concentrates on the transfer of norms and values rather than normal or merit goods, may foster symmetric altruism and thus experience governance efficiencies.

3.4 Resource-based View

Cornner (1991) states that resource-based view (RBV) was firstly mentioned by the writings of Barnard (1938). According to Habbershon and Williams (1999), the main early contributions to RBV include Selznick (1957), Penrose (1959), Rumelt (1984) and Wernerfelt (1984).

The RBV suggests that the companies should be seen as possessing different combinations or levels of assets and capabilities which could be identified as "resources" (Hart and Banbury, 1994). The idiosyncratic resources owned by the firm and thus becoming a kind of advantages could be attributed as "core competence" or "capabilities". Every firm has its distinct collection of resources, such as the set of experiences, assets, skills, technology, organizational cultures and so on. There are not two firms which have the same collection of resources in the same competitive environment at the same point in time (Collis and Montgomery, 1995).

The RBV of competitive advantage provides an appropriate means of analysis to the firms and clarifies the specific resources that are complex, intangible, and dynamic. From the previous literatures, Habbershon and Williams (1999) classify firm resources mainly into four types: physical capital resources (plant, raw materials, location, cash, intellectual property), human capital resources (skills, knowledge, training, relationships), organizational capital resources (competencies, controls, policies, culture, information, technology), and process capital resources (skills, disposition, and commitment to communication, leadership, and the team).

According to RBV, if firm can develop unique resources that allow them to gain a sustainable competitive advantage, its performance could be affected positively. Barney (1991) suggests that these specific resources need to be valuable, rare, not easy to imitate, and non-substitutable. Similarly, Makadok (2001) argues that firms must develop resources that cannot be easily imitated and are firm-specific, embedded in the organization and non-transferable.

Furthermore, in order to succeed, a firm must allocate these resources for strategic activities, develop them effectively to gain a sustainable competitive advantage and accomplish strategic objectives.

-The RBV research on FBs

The RBV approach helps to identify the resources and capabilities that FBs own uniquely and inimitably and which yields family-based competitive advantages. Habbershon and Williams (1999) name the idiosyncratic internal resources owned by family businesses as “familiness”, as it derived from the family involvement into the business.

As aforementioned, from the perspective of the resource-based view, firms are able to have better performance than others if they can develop valuable and unique resources or capabilities which cannot be easily imitated or substituted by their competitors (Barney, 1991). Given this point of view, major consideration in FBs research is whether and how family involvement can lead to a competitive advantage.

Accordingly, several scholars support the view that the connection between family and business may lead to unique advantages in the acquisition of resources. For example, Sirmon and Hitt (2003) argue that "familiness" can be a source of competitive advantage for FBs. Brokaw (1992) claims that FBs are more likely to succeed than any other kind of business, because they possess "an unparalleled competitive advantage" that embodies the management practices and processes and firm values required for competitiveness (Aronoff, Astrachan and Ward, 1996).

From the RBV, high levels of altruism within a FB may be considered as an important source of competitive advantage. The families embedded with altruism culture possess collectivistic orientations that encourage family members to conduct self-restraint and to think about the firm performance as affected by their own actions (Kellermanns and Eddleston, 2004). Family members with altruism can be seen as stewards rather than agents in FBs (Davis, Schoorman and Donaldson, 1997). Therefore, the agency cost such as monitoring and incentive costs toward family managers are reduced because the altruism value prevails in FBs. This may be considered as one important competitive advantage of FBs compared to Non-FBs, from a resourced based view.

Moreover, although the research finds that altruism may lead to non-zero agency costs in FBs (Schulze et al., 2003), Eddleston et al. (2008) prove that these costs are still lower than in non-FBs. They provide the evidence that altruism can be a powerful resource if it is present and fostered in FBs, and it can lead to a competitive advantage that cannot be imitated and substituted by other firms.

From the RBV, the agency theory is also linked to an explanation for FBs to have a competitive advantage over non-FBs. The principal-agent problem could be reduced or mitigated in a family business context due to the least divergent interests between principal and agent. The special relationship between principal and agent, the different enforcement and monitoring mechanism in FBs compared to those in non-FBs shape the potential idiosyncratic resources for FBs (Jensen and Meckling, 1976). Also, the reduced agency costs due to more efficient organizational processes is also used to explain the competitive advantage possessed by FBs over non-FBs (McConaughy et al., 1995).

In addition, transaction cost economics could also help to prove the intrinsic and competitive advantage owned by family businesses, from a RBV. As Williamson (1996) states: "the economics of trust as well as other phenomena can be examined to advantage in transaction cost economizing terms" (P. 153). The transaction cost is reduced because a trust-based relationship between trading partners can be considered as an idiosyncratic competitive advantage for FBs.

Besides, Barney et al. (2001) propose that the higher willingness to share information among family members because of the family ties may provide an advantage in opportunity identification for FBs.

According to Habbershon and Williams (1999), FBs are usually considered as complex, dynamic, and rich in intangible resources. The resource based view provides a proper means to the researches in the field of FBs to analyze them. It should be noticed that, as well as other kinds of firms, some FBs advantages are described as specific to a given family and business. From resource-based view, the certain resources that bring the advantages for a firm is described as idiosyncratic to a particular firm in a particular environment.

From a vast amount of literatures, Habbershon and Williams (1999) also concluded about the idiosyncratic resources and competitive advantages that FBs possesses in a RBV system. They classified these FB characteristics into four categories as aforementioned: human capital resources, organizational capital resources, process capital resources and physical capital resources.

- Human capital resources:

Family businesses possess a number of advantages in human capital resources which mainly contain the aspects of work environment, training, inter-relationships, and efficiency in human resource management.

Family members are described as more productive than nonfamily employees (Rosenblatt et al., 1985). The trust and altruism within family members lead to more efficient communication and information sharing. The special relationship of family members generates unusual motivation, loyalty, and increase trust (Tagiuri and Davis, 1996).

Goffee and Scase (1985) think that FBs can provide more flexible work practices for their employees. Levering and Moskowitz (1993) give the evidence that lower recruitment costs and lower human resource costs are generated in FBs compared to other companies in labor intensive businesses. The finding from Dreux (1990) shows that the decision-maker in FBs is more responsive to changes in business environment.

- Organizational capital resources:

In the kind of organizational capital resources, FBs show a lot of advantages in aspects of competencies, controls, policies, culture, etc.

Compared with non-FBs, FBs are more likely to be long-term investors and look forward to future development of the firm, because family objectives and business strategies are said to be inseparable. Thus, FBs can create a more unified long-run strategy and commitment to fulfill the goals and objectives of the firm (Aronoff and Ward, 1995). That is to say, FBs are more concerned on the long term development of the firm rather than short term return. For example, FBs prefer to invest in long run return opportunities rather than the quarterly return requirements (Dreux, 1990). Also, FBs invest more for the research and development of the firm (Ward, 1997). Additionally, they place an emphasis on company growth potential over short term sales growth (Donckels and Frohlich, 1991).

FBs have reported to have lower transaction cost, more efficient informal decision making channels, lower monitoring and control costs, and lighter organizational structure (Daily and Dollinger, 1992). In FBs, decision making processes are more centralized among family members, which help to decrease cost and increase the flexibility of the firm (Poza, Alfred and Maheshwari, 1997; Tagiuri and Davis, 1996). Moreover, less managerial politics are formulated in FBs (Moscetello, 1990).

Because of the interest and goal alignment between owners and decision-makers, FBs are considered to have lower agency cost. In addition, the concentration of ownership in the hands of family members results in a strong sense of mission, well-set long-term goals, a capacity for self-analysis (Moscetello, 1990).

Besides, FBs hold a more trustworthy reputation. They pay more attention to brand-name development (Tagiuri and Davis, 1996; Ward, 1997). Internationally, FBs can solve cultural barriers problem more efficiently because they share common family values which can cross the cultures differences (Swinth and Vinton, 1993). Furthermore, FBs are also said to have more careful attitude on their financial management (for example, Gallo and

Vilaseca, 1996).

- Process capital resources:

In the kind of process capital resources, FBs show their advantages in aspects of disposition, and commitment to communication, leadership, and so on.

FBs may have better ways to treat the relationship with their stakeholders. Positive notions of family ownership by customers and relationship-based business interactions within and between organizations create stakeholder efficiencies (Aronoff and Ward, 1995). The family's reputation and relationships with external stakeholders are reportedly stronger (Lyman, 1991). For example, FBs provide a unique working environment that fosters a family oriented work place, and so that can enhance employees' loyalty and care (Ward, 1988). FBs are also said to pay higher wages to employees than non-FBs (Donckels and Frohlich, 1991), and to have the ability to bring out the best from their workers (Moscetello, 1990).

Moreover, compared to non-FBs, FBs have less interdependence with macro-environment and thus have less risk to turn to negative downturns (Donckels and Frohlich, 1991).

- Physical capital resources:

In RBV, FBs show some advantages owned in physical capital resources. Regarding financial situations, FBs have been described as having patient capital (de Visscher, Aronoff and Ward, 1995) and lower cost of capital (Aronoff and Ward, 1995). Furthermore, publicly held FBs are proved to have higher profit margins, faster growth rates, more stable earnings, and lower dividend rates (McConaughy et al., 1995). In summary, FBs have a better managed capital structure and allocate resources more efficiently.

3.5 **Long-term orientation**

The long-term orientation concept arises along with the debates about economic short-terminism which derive from the period of late 1980s and early 1990s (Laverty, 1996). U.S. firms are less interested in making investment for the long period, because it may sacrifice the short-term profit. As a consequence, this myopia behavior became the competitive disadvantage of U.S. companies compared to their competitors from Germany or Japan, which have less myopia behavior in their institutional environment (Jacob, 1991; Porter, 1992).

The idea of myopia behavior and long-term orientation is strongly linked to the concept of intertemporal choice, an extensively studied in both economics and psychology (Loewnstein and Thaler, 1989). Generally, the problems of intertemporal choice exist when the related costs and benefits of a particular decision are separated into different time periods. Top management decision, such as the large amount of investments development of a new series of products, or entrance into a new market, often involve intertemporal choice. According to Laverty (1996), an intertemporal problem in management decision occurs because “the course of action that is best in the short term is not the same course of action that is best over the long run” (P. 828).

Similarly, Block (2009) states that the long-term orientation happens under a situation in which costs and benefits of a decision or an action split out into different periods. Under such a situation, “all other things being equal, a more long-term-oriented firm uses lower discount rates than other firms to value future payoffs” (P. 44).

- The connection between long-term orientation concept and FBs

Family businesses usually see the family interest as a continuing one and so they tend to take a long-term view on business decisions (Cadbury, 2000). It is this sense of building a business for future generations which underlies the policies of successful family businesses. This orientation can in particular support the implementation of an optimal investment policy in the long run (Stein, 1989; James, 1999). The argument stems from Porter’s “managerial myopia” theory, which indicated that a variety of short-term goals and pressures may cause the managers invest inadequately in long-term project, such as insufficient investment on R&D.

In addition, according to Cadbury (2000), long-term orientation also brings benefits such as improves family business's reputation and employees' loyalty. Building for the future also leads to a concern for the firm's reputation and the respect to the interests of employees and the community. If a firm sees itself as continuing one and intends to maintain its control over the years, it is sensible for it to keep good relationships with employees, suppliers and customers, because it expects these relationships to be retaining one.

Family involvement provides the stability and continuity in business ownership and management structure. FBs are more likely to adopt long-term oriented strategies that help the firm to maximize the value gained from the future. Therefore, researchers often use the long-term orientation to explain the better performance and financial situation of FBs compared with non-family businesses (for example, Anderson and Reeb, 2003). In addition, family businesses are also said to be less reactive to economic cycles due to their long-term view (Ward, 1997),

Regarding the firms which have family as their main shareholder, Block (2009) mentions two explanations for why FBs adopt a long-term orientation rather than short-terminism. First, the family shareholders consider the firm as the heritage and welfare of the family, which is a part of the family identity for them. Hence, family shareholders have the intention and motivation to pass the firm into the next generation (e.g., Casson, 1999; Guzzo and Abbot, 1990; Tagiuri and Davis, 1992). As a result, FBs prefer to see further when they make the decision, because they pursue a long-term return from their decision to the benefit of the development of the firm and the welfare of the whole family. Second, family's reputation is strongly linked to activities and behaviors of the firm. The whole family members within the firm share and bear family's name. The action or decision made by FBs at present will consequentially further influence on family's reputation for long period. Therefore, FBs normally do not pursue the short-term interests at a cost of sacrificing the long-run benefits.

Given the two reasons, the stock market myopia (e.g., Jacobs, 1991; Johnson and Kaplan, 1987) or fluid and impatient capital (e.g., Porter, 1992) exist less in FBs compared to non-FBs. That is to say, in FBs, owning families are less likely to move their funds or stocks away quickly, and evaluate the return of the investment from the short-term period.

Agency theory again also be used to explain the different investment behavior between family and non-family businesses:

For those FBs which are owned and governed by family members, there is no agency cost, or only minor if there is. The same interest of principals and agents leads utility functions of shareholders and management to coincide. In addition, the family managers have quite safe jobs compared to managers in non-FBs (e.g., Le Breton-Miller and Miller, 2006; Ward, 2004), so they do not need to prove their capability and accumulate their reputation through a short-term result. Therefore, managerial opportunism is less likely to happen in such kind of FBs.

For those FBs which are family-owned but governed by professional non-family members, Block and Thams (2007) state two arguments which could support the view that this kind of FBs are more long-term oriented than “pure” non-FBs. First, the incentives for monitoring are high in such kind of FBs, because family shareholders care more about the development of the firm since they feel strongly linked with the firms by the identity and reputation of the family. The economic benefits from monitoring are higher because family shareholders have higher fractions of ownership of the firm. And hence, the free-rider problem could be reduced compared to those firms which have dispersed shareholders. Second, information asymmetry is reduced between ownership and management. There is less need to evaluate the performance and development of the firm depending on short-term result in such family-owned firms because the owner family knows the firm very well and has a deep, long-term understanding of the business.

To summarize, family businesses may benefit from their long-term view to non-family businesses because FBs see further ahead than do non-family businesses (Allouche et.al., 2008; Harvey, 1999).

3.6 Risk Aversion

Risk aversion means the tendency of investors to avoid risky investments. If two investments offer the same expected return but have different risk characteristics, the risk adverse investor will choose the one with lower variability in return (Buccetti, 2012).

-The risk aversion tendency by FBs

In the research on family businesses, the risk aversion concept is generally measured by the firm's debt level. FBs are often said to have lower debt levels than do non-FBs (Gallo and Vilaseca, 1996), because of the risk aversion of family members. Indebtedness can lead to financial risk, which is correlated with the risk of bankruptcy and the risk of loss of control (Nam, Ottoo, & Thornton, 2003; Gilson, 1990). Cautious attitude of the family businesses regarding debts makes them reducing the dependence on debts. Generally FBs are more risk averse than other firms since typically a higher share of the owner's wealth is invested in their firm; hence their investments are more likely to be sensitive to uncertainty.

However, Gonzalez et al. (2012) state that capital structure is an insufficient measure for risk aversion. They find that debt levels are contingent on whether and how families are involved in their firms. When family involvement derives from direct and indirect ownership, the FBs have higher debt level, consistent with the idea that external supervision accompanies higher debt levels and reduces the risk of losing control (Stulz, 1988). Their research also shows that debt levels are lower when families are also involved in management.

Rish aversion pushes FBs toward lower debt levels. However, in some situations, the needs to finance growth without losing their own control makes family businesses to accept to bear higher debt levels. FBs are less willing to seek debt at early stages because of their risk aversion tendency. As the firm grows, however, the family needs to get more finance in order to meet various growth opportunities, and in this situation they tend to rely on debt to retain their strong control on FBs (Gonalez et al., 2012).

3.7 Transaction Cost

Transaction cost economics emerged to provide a "better understanding of the origins and functions of various firms and market structures" (Williamson, 1975, p. 1). To interpret it, transaction cost theory tries to explain why company exists, and why company grows, or outsource activities to the external environment. According to Williamson (1981), a transaction cost occurs "when a good or a service is transferred through market mechanisms, from one firm to another one".

The transaction cost theory assumes that company tries to minimize the costs of exchanging resources with the outside environment; a company also tries to minimize the bureaucratic costs of exchanges within its own organization. There, a company needs to weigh the cost for these two kinds of exchanges in order to choose better way to conduct their actions: there is a trade-off between market and hierarchy (Coase, 1937; Williamson, 1975).

In family businesses, “the economics of trust as well as other phenomena can be examined to advantage in transaction cost economizing terms” (Williamson, 1996, p. 153). FBs can make the production network run more efficiently. The extensive reliance upon generic relationship creates production flexibility (Carney, 1998). Kinship or ethnic ties may help establish a trust–based relationship between family members, thus the transaction cost of the FBs could be reduced (Lazerson 1995).

In a research on Chinese family businesses (CFBs), Carney (1998) proposes that, credit and supplier qualification, production planning and quality control are all indirect activities that are supplied without cost in production networks in CFBs, as members of the network are often affiliated to a same family. That is to say, Chinese family businesses can reduce the transaction costs in the production processes compare to Non-FBs.

3.8 From the View of Conflict Theory

Kellermanns and Eddleston (2007) discuss how FBs performance is influenced from the view of conflict theory. The conflict theory identifies two potentially beneficial types of conflicts: cognitive conflict and process conflicts. Cognitive conflicts and process conflict are work-related conflicts that are destitute of negative emotions within the firm, because they increase options and prevent premature consensus and cultivate employees’ involvement (Jehn, 1994, 1995;

Tjosvold, 1991; Wall et al., 1987). Cognitive conflict relates to the debate about the goals and strategies, while process conflict refers to the discussions about who is responsible for which task, or in simple words, the strategy implementation (Jehn, 1997b; Jehn and Mannix, 2001).

Conflict is often perceived as a factor that would diminish the performance of FBs. However, the conflict literature queries about the totally negative impression and some researchers suggest that studies should examine the benefits of conflict in FBs (Sharma et al., 1997). Work-related conflict can ensure that the environmental changes, important information and outcomes are discussed and understood by decision makers (Kellermanns and Eddleston, 2004).

Moreover, because of the restriction regarding the participation of new generations which often exists in decision making process in FBs (Eddleston and Kellermanns, 2007), FBs are often criticized for limiting family members' participation in the firms' strategy-making process (Eddleston and Kellermanns, 2007; Stavrou, 1999). FBs are also often criticized for hiring people because of their family status and not their qualifications (Kellermanns and Eddleston, 2004). Thus, constructive and work-related conflicts maybe “particularly important” to FBs performance.

According to empirical research, work-related conflicts can improve decision quality, strategic planning, organizational growth and financial performance (Schweiger et al., 1989). Therefore, the authors’ theoretical argument is that both cognitive and process conflicts that increases options and fosters employee involvement are positively related to FBs performance. However, the results of their study of 51 FBs indicate that while process conflicts have no significant direct effect on firm performance, high levels of cognitive conflicts negatively influence firm performance. They state that family managers have difficulty splitting the relationship in working from their relationship in family, thus the cognitive conflicts may turn to personal attacks that could impede the cooperation in strategic planning instead of facilitating effective decision making.

An important result from this study is that when both process conflict and family member exchanges are high, performance improves, but ownership dispersion and process conflict do not significantly interact. The study discussed that the performance effects of cognitive and process conflict should not be viewed in isolation, but FB characteristics determine when such conflict is beneficial to performance. Process conflicts is most beneficial when family member exchange is high, while cognitive conflict is most beneficial when FB ownership resides within a single generation and when family members exchange is low.

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Conclusion of Part I

Part I has developed to the theoretical foundation of the research, considering first a general review of the literature on Family Businesses (Chapter 2), and then major theories which could help interpret better performance and financial structure of the family businesses around the world (Chapter 3). We may now, on this basis, build our set of hypotheses, contextualized in the Chinese environment, and test it empirically. This is Part II of this dissertation.

Part II: Empirical Investigation

Part II will be made of two different chapters. Chapter 4 introduces the hypothesis and methodologies set in this research. Chapter 5 will develop the tests results, discussion and findings of this research.

Chapter 4. Hypothesis and Methodology

The researches on the performance of FBs have been conducted in various countries or areas. McConaughy et al. (1998) report the higher valuations and profitability, faster growth rates, more stable earnings of FBs than non-FBs in the US. Anderson and Reed (2003) also find that FBs have higher Tobin's q values and higher return on assets than non FB in publicly traded family-controlled firms in the US. Moscetello (1990) reports that FBs outperform in Standard & Poor's 500. In the case of Western Europe, Maury (2006) concludes that family control can increase performance by the investigation based on the samples which consist of 1672 non-financial firms. Allouche et al. (2008) prove that FBs have better performance and financial structure than non-FBs in Japan.

As above examples shown, numerous empirical researches find better performance or sounder financial situation of FBs compared with NFBs. Chapter 3 of this dissertation helped us to interpret from diverse theoretical approaches better performance on the side of FBs. This research tries to figure out whether FBs have also superior performance and financial situation than do NFBs in China.

4.1 Hypothesis

According to previous academic literatures, agency theory (Fama and Jensen, 1983) predicts reduced agency cost in FBs because of the least separation between ownership control and managerial decisions.

From a stewardship perspective, a family manager acts in a way that maximizing the benefit of the firm without any extra monitoring cost, as the interests of family managers and family owners are aligned (Donaldson and David, 1989; 1991). Transaction cost may also be reduced because family businesses are very efficient in production network as the trading partners trust each other very well through kinship or ethnic ties (Carney, 1998).

From a resource-based view, “familiness” can yield a unique resource which positively influences the performance of FBs (Habbershon and William, 1999). The FBs culture and values, such as altruism and trust, also have positive influences on work group process and performance, through higher levels of cooperation and joint efforts (Astrachan and Zellweger, 2008; Dirk, 1999). In addition, altruism among family members may lead to superior employment contracts as the excessive monitoring and incentives-based costs are avoided (Chami, Fullenkamp, Randoy and Nielsen, 2002).

All of these above mentioned theoretical foundation support the better performance of FBs than non-FBs, so that provide basis for superior performance in term of profitability. Therefore, in order to check whether this applies to China too, Hypothesis 1 is designed as follows:

Hypothesis 1: In China, family businesses (FBs) enjoy superior performance than non-family businesses (NFBs) do.

Academic literatures point out some differences in financial situation between FBs and NFBs. Family businesses are long-term orientated firms (Le Breton-Miller and Miller, 2006), which may avoid myopia behavior (Stein, 1988, 1989). In addtion, FBs managers are assumed to have longer-term perspectives than managers in NFBs, thus the investment policies of FBs should be less restricted by short-term economic circumstances (Harvey, 1999). Furthermore, numerous scholars indicate that FBs have cautious attitude toward debt because they tend to risk aversion in order to avoid risk of loss of control (i.e. Mishra and McConaughy, 1999; McConaughy et al., 2001). Thus, Hypothesis 2 is designed as follows:

Hypothesis 2: In China, family businesses (FBs) have stronger financial structures than non-family businesses (NFBs).

In the Japanese case, Allouche et al. (2008) provide the evidence that the level of family control influences firm performance and financial structure. Their findings report that the stronger the family control is, the better the outcome regarding both performance and financial structures.

The assumption originally comes from two elements. The first one is connected with the risk aversion attitude of FBs regarding financial policy. This kind of attitude leads to reserved attitude on debt. The second element is related to long-term orientation that FBs possess.

The interests and goals of shareholders and management are better aligned in strong controlled FBs. Reduced conflicts between owners and managers in strong controlled FBs would yield reduced agency cost, and stronger long-term orientation, as they have stronger desire to reserve the family control on the firm. In order to avoid the risk of loss of control, strong-controlled FBs would have more careful attitude on their financial management.

Moreover, the stability in strategic management and orientation may also be relative to the level of family control. A more stable strategic line of FBs through changing circumstances and over long period provide a lot of advantages compared to non-FBs (Van Den Berg and Carchon, 2003). A strong-controlled FB would ensure the horizon of investment planning for the firm (Sraer and Thesmar, 2004).

Furthermore, Gonzalez et al. (2012) find that capital structure is an insufficient measure for risk aversion. They find that debt levels are higher when families involve in ownership only, but that debt levels are lower when families are also involved in management. In line with their findings, strong-controlled FBs would have better situation in financial structure.

Therefore, hypothesis 3 and 4 are designed as follows:

Hypothesis 3: In China, a stronger control of the family on the business leads to superior performance.

Hypothesis 4: In China, a stronger control of the family on the business leads to stronger financial structure.

4.2 Samples

This research is focused on listed companies in China. In the Chinese context, it is very difficult to gather authentic and accurate financial data from small and middle-sized companies as first-hand data, as well as from institutions and databases as second-hand information. That is one of the reasons that listed companies in China are chosen as the sample basis in this research. This is in line with a large part of researches that we considered in Chapter 2 and 3, including Alouche et al. (2008) which inspired this dissertation.

In 2007, there were totally 1,591 listed companies in both Shanghai and Shenzhen stock exchanges, the only two opened in mainland China. In 2008, the number of listed companies increased to 1,604. To be noticed, there are also 621 companies of mainland China registered in Hong Kong Stock Exchange until the end of 2011. Due to the system differences, these listed companies are not taken into account in the sample of this research.

The list and information of all registered companies in China can be searched from the two official websites of Shanghai Stock Exchange, and Shenzhen Stock Exchange. Each listed company has its own quote symbol. For example, *Beijing Shunxin Agriculture Company* has its own quote symbol “000860-SZ”, which is a unique symbol in stock exchanges in China；“SZ” means that this companies is listed in Shenzhen Stock Exchange.

In 2001, China Securities Regulatory Commission (CSRC) issued a classification method for industry classification of all listed companies in China (See appendix-1). This regulation was edited and completed once in 2003. This specific classification method sorts out all listed companies of Shanghai and Shenzhen stock exchange into 13 general industry sectors, which covers 65 industries in second-layer classification, and over 200 sub-industries in third-layer classification. For each industry sector, there is a unique code edited by CSRC (See table 4.3).

As an example, industry sector A is defined as *farming forestry animal husbandry and fishery* industry sector. In fact, there are five industries under sector A: *A01 Farming*; *A03 Forestry; A05 Animal husbandry*; *A07 Fishery*; *A09 Services for Farming, Forestry, Animal Husbandry and Fishery.* The letter *A* represents the industry sector code; the number, such as *01*, indicates the code of the industry. Table 4.3 shows the classification result of the industry sectors and the industries by CSRC. The letters A, B, C, D, E, F, G, H, I, J, K, L, M are allocated to represent the symbols of the 13 industry sectors which are regulated by CSRC. Within each industry sectors, there are few second layer industries comprised.

The list of each industry category can be searched from two Chinese professional stock websites: www.cnlist.com and www.jrj.com. To ensure that the classification outcomes for each industry of total 65 industries is correct, we compare the number and title of those listed companies under each industry catalogue of both websites, and then find that there are few distinctions on the classification result for some industry between the two websites. The distinctions originate from some companies which operate in more than one main industry. Since it is difficult to identify the main industry of these kinds of companies, so that causes the different classification results from the two websites. Every time when such conditions happen, the detailed annual reports or official records of those controversial companies should be checked in order to figure out the accurate industry category. It relies on which industry takes the largest percentage of the revenues for that company at the year 2007.

The list of FBs in China was issued by *Capital Week (*at July, 2008*), an* authoritative and professional Chinese Business Magazine. The detailed information of this list is to be introduced in the following part.

4.3 Different levels of family control

Kurashina (2003) considers three types of FBs (and non-family businesses, which he calls Type A). In Type B, family members hold management positions or are on the board of directors and among the main shareholders; in Type C, family members do not hold top-ranking management positions but are among the main shareholders; and in Type D, they hold management positions or are on the board of directors but are not among the main shareholders. His definition has gained wide acceptance in Japan.

Then, Allouche et al. (2008) use Kurashina's classification on their research in order to investigate if the level of family control would influence the performance of family businesses compared with non-family businesses. They consider the Type B of family businesses as strong family controlled businesses, because Type B contains both criteria: the ownership control of the family (the share of capital in the hands) and the management control of the family (the involvement of family members in managing the firm). Abdellatif et al. (2010) also adopt this classification method in their research regarding Japanese FBs.

In the Chinese context, we also refer to the method adopted by Kurashina (2003) in the Japanese case. According to *Capital Week*'s latest report at July, 2008, after the background investigation of all listed companies in the two stock exchanges, based on the data of year 2007, it appears that 421 of all 1591 are family-controlled firms and the owner family's name of each firm is provided (see appendix-2). Moreover, all of the owner families are classified into two types: the first type is so-called "*Entrepreneur*"（企业家）; the second type is so-called "*Capitalist*"（资本家）.

They defined four criteria for "*Entrepreneur*": 1) the owner family (the individual of the family) is the founder of core business of this listed company, or if the one became listed company through back door listing, the owner family should be the founder of the core business which is the same registered one for the rebuilding listed company; 2) the owner family holds top-ranking management position; 3) if the owner family controls more than one listed companies, these companies should belong to one industry or has the interior industrial chain relationship; 4) the owner family controlled companies should have clear and stable main business, so companies doing pure investment or having no main clear business are excluded. If the owner family cannot satisfy all the four criteria, they are classified as "*Capitalist*". In this research, the samples selection of the family businesses all depends on this report issued by *Capital Week.*

"*Entrepreneur*" and "*Capitalist*" -- Different level of family control

Kong and Zhang (2005) used to systematically classify the Chinese family businesses on background of all listed companies of Shenzhen and Shanghai stock exchange at earlier period; meanwhile they set up the criteria for two types of the owner families who hold the FBs, named as *"Entrepreneur"* and *"Capitalist"* (the criteria is exactly the same as the one defined by Capital Week). As their subsequent interpretation about the assortment of the two types, *"Capitalist"* is usually disposed to control more than one company which could be in various industry fields by less investment in the ownership, while *"Entrepreneur"* tends to control a single company concentrating on one industry sector by holding higher percentage of the ownership.

Family ownership	Types of Family Businesses					
	all FBs (type B & C)		strong controlled FBs (type B)		weak controlled FBs (type C)	
	number	percentage	number	percentage	number	percentage
Family ownership ⩾ 50%	65	15,44%	52	17,99%	13	9,85%
20%⩽ Family ownership<50%	290	68,88%	199	68,86%	91	68,94%
10%⩽Family ownership < 20%	59	14,01%	36	12,46%	23	17,42%
Family ownership <10%	7	1,66%	2	0,69%	5	3,79%
sum	421	100%	289	100%	132	100%

Table-4.1: the proportion of ownership controlled by FBs in Shanghai and Shenzhen Stock Exchange

According to the criteria, the main difference between *"Entrepreneur"* and *"Capitalist":* the former must be the founder of the core business, and the one who cares much about the industry running, develops the business in certain industry field, and directly involves in the management of the listed company; the latter are much more interested in capital operation (Xia, 2007). Therefore, comparing with the *"Capitalist",* the "*Entrepreneur*" is much more likely concerned on business development (especially the long-term development) and company's prestige, as well as the family's reputation and continuity (Wan and Xu, 2008).

According to the explanations about *"Entrepreneur"* and *"Capitalist"* aforementioned, the type of *"Entrepreneur"* is not only the largest shareholder of the company, but also holds the top-ranking management position; the type of *"Capitalist"* is much more likely to control the company by being the largest shareholder.

Besides, the aims of the two types of owner family is not quite the same: the *"Entrepreneur"* takes much care of the company's long-term development and prestige, that is very related to the family's core benefit and foundation. As the founder of core business, *"Entrepreneur"* has more entrepreneur spirit, and lead the daily management. He is absorbed in developing and strengthening the company on its familiar area, in order to accomplish family's value. The *"Capitalist"* is more interested in capital operating, that is to say, pursuing maximum economic interest through running capital skillfully and technically, such as the acquisition and merging. Therefore, we consider "*Entrepreneur" owned* FBs, are more likely to influence every step of the process than *"Capitalist"* controlled FBs. In other words, the former holds stronger control on firms over the latter.

In this research, we intend to figure out not only the differences in performance and financial structure between FBs and non-FBs, but also the difference between FBs of different levels of family control. Following this purpose, this research also needs to sort out family businesses by different levels of family control.

Hence, returning to Kong and Zhang's (2005) classification on listed family businesses in China, we consider those family businesses owned by type "*entrepreneur"* as strong-controlled family businesses—that could be called as type B - because, in type B, family is not only the largest shareholder of the company, but also holds the top-ranking management position. Those family businesses owned by "Capitalist" are considered as type C - weak-controlled FBs, which are more likely to control the firm by being the largest shareholders. In addition, non family businesses were also called Type A here in this research for being easy calculation and homogeneity with Kurashina (2003) and Allouche et al. (2008) who inspired this work.

4.4 Data collection

The data collection regarding various financial indicators of all listed companies is based on Thomson One Banker, a well-known database in the world (http://banker.thomsonib.com). It provides a wide range of financial and non-financial data for all listed companies in Shanghai and Shenzhen stock exchanges cross a long period of years.

Various financial ratios are designed for comparing the performance and financial structure between FBs and non-FBs, and between strong-controlled FBs and weak-controlled FBs.

In order to compare performance, we select several relevant financial indicators, such as *ROA, ROE, Return on equity per share, EBIT, pretax margin,* etc… in order to gain a clearer picture of the potential performance advantages of family businesses. With regard to financial structures, several financial ratios are selected to be compared, such as total debts/total capital, long-term debt/total capital, current ratios, quick ratio, etc… The precise data regarding each financial ratio of all listed companies in China could be all gained from

Thomson One Banker.

The comparisons are based on the data of year 2007 and 2008, which are chosen for three reasons. First, the data of year 2007 and 2008 are almost the latest ones which we could find at the moment of our research in process. Second, the comparison based on two years' data can avoid overdependence on one single year's data, which could be affected by specific issues. Third, year 2007 represents a time when China's economy is on the way of development in high speed, while 2008 is the year when global economic crisis starts and brings negative effects on China's economy. Therefore, the two years can provide different economic background for our investigation, and thus strengthen it reliability.

4.5 Methodology

We adopted a two step methodology for this research, as explained here after. The first step is inspired by Kurashina (2003); the second one is inspired by Allouche et al. (2008).

4.5.1 First method

According to the classification method formulated by China Securities Regulatory Commission (CSRC), all 1591 listed companies could be divided into 13 industrial sectors first. In accordance with the list of FBs issued by *Capital Week* (appendix-2), FBs are separated from the other listed companies in each industrial sector. Therefore, two groups of listed companies in each industrial sector are identified. That is to say, one group is FBs, and the other group is non-FBs. Then the averages regarding several financial indicators for FBs and NFBs are calculated respectively, which are assumed to provide generally the differences concerning performance and financial condition such as ROE, ROA, EBIT and inventory turnover…etc for the two contrasted types of companies.

Table-4.2-(1) and (2) show the comparison result gained from the first method.

Average of Relevant Ratios Covering 13 Industrial Sectors＊, Year 2007 (1)												
Industry sectors / Financial indicators	Farming, Forestry, Animal Husbandry and Fishery		Mining and Quarrying Industries		Manufacturing		Public Use		Construction		Traffic, Transpo-rtation, Storage Service	
	NFBs	FBs	NFBs	FBs	NFBs	FBs	NFBs	FBs	NFBs	FBs	NFBs	FBs
Return on Assets	6.21%	7.64%	11.29%	13.89%	6.73%	7.69%	5.26%	9.58%	3.22%	4.68%	7.20%	4.79%
Return on Equity per share	8.75%	9.18%	19.65%	20.85%	12.69%	13.73%	9.00%	17.98%	10.99%	11.84%	11.59%	7.17%
Return on Invested Capital	7.03%	14.21%	14.84%	26.79%	9.09%	9.86%	5.87%	11.29%	6.74%	8.64%	8.26%	5.71%
Ebit	14.66	8.13	102.57	11.13	44.56	22.35	33.69	38.01	24.95	21.25	84.26	17.50
Net Income	7.76	4.87	69.06	6.79	29.49	17.85	23.25	27.45	16.84	11.01	40.27	7.33
Pretax margin	10.19%	11.30%	16.72%	14.53%	10.28%	11.99%	14.81%	22.47%	3.76%	4.57%	32.17%	19.88%
Long Term Debt/Total Capital	6.03%	5.63%	13.06%	0.00%	14.19%	12.31%	27.62%	24.87%	19.33%	13.94%	21.11%	12.08%
Total Debt/Total Common equity	45.11%	56.42%	46.85%	53.52%	75.16%	70.29%	108.36%	93.90%	95.17%	106.01%	79.56%	43.68%
Current Ratio	1.33%	1.60%	1.21%	0.68%	1.22%	1.55%	0.72%	0.88%	1.06%	0.99%	1.02%	1.25%
Quick Ratio	0.64%	0.76%	0.91%	0.30%	0.67%	0.97%	0.48%	0.64%	0.55%	0.59%	0.90%	0.94%
Sales per employee	0.06	0.06	0.08	0.20	0.08	0.03	0.30	0.25	0.18	0.40	0.18	0.34
Asset per employee	0.17	0.19	0.13	0.24	0.1	0.06	0.73	0.94	0.29	0.26	0.52	2.11
Cashflow/sales	18.41%	12.66%	22.99%	30.91%	13.83%	14.51%	24.85%	18.49%	6.40%	7.08%	34.94%	39.65%
Capital Expenditures/ Total Assets	4.73%	5.39%	14.55%	0.90%	5.99%	10.23%	9.92%	14.28%	4.83%	5.21%	11.02%	4.08%
Cash and equivalence/ current assets	25.39%	24.86%	41.58%	5.21%	28.32%	32.50%	42.23%	48.66%	24.71%	23.26%	56.85%	41.94%
Cost of goods/sales	97.57%	43.65%	61.51%	63.08%	73.62%	71.02%	64.32%	68.30%	83.16%	86.06%	48.45%	46.43%
Inventory turnover	1.69%	2.42%	10.99%	1.31%	4.42%	4.37%	13.83%	5.55%	3.92%	5.12%	26.51%	15.74%

Table-4.2-(1)

Average of Relevant Ratios Covering 13 Industrial Sectors *, Year 2007 (2)										
industry sectors / Financial indicators	Information Transmission, Computer Services and Software		wholesale and Retail Trade		Real Estate		Social services		Conglomerate Group	
	NFBs	FBs	NFBs	FBs	NFBs	FBs	NFBs	FBs	NFBs	FBs
Return on Assets	6.31%	8.85%	4.89%	6.72%	6.04%	6.74%	5.92%	4.66%	4.69%	5.35%
Return on Equity per share	8.35%	13.37%	9.95%	9.44%	15.74%	18.03%	9.82%	8.87%	9.17%	8.26%
Return on Invested Capital	7.82%	10,38%	7,10%	8,24%	9,47%	10,54%	7,41%	5,69%	5.66%	7.39%
Ebit	11.61	12.26	21.48	15.36	35.80	20.75	23.18	10.81	18.78	22.40
Net Income	7.53	8.34	12.86	6.72	23.23	13.98	12.17	8.06	10.16	11.86
Pretax margin	9.72%	15.12%	5.22%	7.74%	22.35%	23.30%	19.76%	14.12%	10.55%	15.56%
Long Term Debt/Total Capital	4.16%	2.04%	4.89%	7.82%	21.23%	15.91%	10.25%	22.97%	8.80%	9.27%
Total Debt/Total Common equity	42.48%	26.91%	82.39%	83.94%	81.57%	48.60%	54.80%	62.07%	85.23%	56.36%
Current Ratio	1.44%	1.68%	0.97%	0.82%	1.55%	1.65%	0.97%	0.90%	1.03%	1.12%
Quick Ratio	1.29%	1.57%	0.60%	0.62%	0.52%	0.48%	0.73%	0.54%	0.57%	0.56%
Sales per employee	0.21	0.12	0.76	0.39	0.70	0.59	0.39	0.08	0.75	0.05
Asset per employee	0.24	0.18	0.52	0.47	3.19	2.14	0.83	0.36	1.70	0.15
Cashflow/ sales	11.69%	16.51%	5.49%	8.87%	18.10%	18.79%	27.58%	32.62%	10.23%	16.88%
Capital Expenditures/Total Assets	4.07%	3.86%	4.21%	5.58%	0.86%	0.80%	10.94%	11.15%	1.66%	1.60%
Cash and equivalence/ current assets	39.21%	41.22%	44.47%	43.94%	20.17%	16.31%	54.03%	26.44%	32.01%	26.18%
Cost of goods/sales	75.00%	63.91%	82.55%	74.16%	63.75%	58.68%	49.82%	35.75%	73.86%	65.16%
Inventory turnover	5.38%	4.63%	13.54%	7.49%	0.87%	0.63%	10.71%	10.69%	3.52%	2.26%

Table 4.2- (2)

————————————————

* There is no FB in financial and sports entertainment industries

-Discussion regarding the first method and its result:

Unfortunately, we can hardly gain a convincing outcome by using this simple method, which adopt industry sector as the only variable, although Kurashina (2003) obtained a valuable result indeed in the case of Japan by using this method originally. The reasons are as follows:

1. We use a comparatively generalized classification method which can only divide all listed companies into 13 categories. This does not provide precise and convincing results as this research requires.

2. The FBs are distributed irregularly in each industry sector. For example, in industry sector *L*, the publishing and culture industry, there is only 1 FB versus 9 non-FBs; and there are just 3 FBs and 35 non-FBs in industry sector *B* which is Mining and Quarrying Industry. The financial indexes directed to one FB is hard to represent the entire situation of FBs for the whole corresponding industry. Therefore, the amount of cases for each kind of industry is far from balanced.

3. The different sized companies have extremely different values regarding various financial indicators, such as sales, net income, EBIT, and so on. For example, in mining and quarrying industry, *Zijin Mining Group Company Limited* (601899-SH), which is a non-family firm, has 1352.43 million dollars in its capital value, and 2295.87 million dollars in its assets value in 2007. By owning these great amounts of values in terms of total capital and total assets,

Zijin Mining Group Company Limited has its sales value as 2036.02 million dollars and net income value as 349.39 million dollars in 2007. By contrast, *Shanxi Meijin Energy Company Limited* (000723-SZ), a family firm, has 56.81 million dollars in its capital value and 145.5 million dollars in its asset value in 2007. Accordingly, its sales value is 110.09 million dollars and net income is 9.51 million dollars in 2007.

In this case, it is not correct to simply conclude that *Zijin Mining Group Company Limited* perform better than *Shanxi Meijin Energy Company Limited*, because company size, number of employees, production volume and other factors record huge differences as the capital investment is greatly different. Hence, it is not rigorous to calculate the average of the values of each financial indicator by ignoring the size variable.

Because of the shortcomings described above regarding the first method, a more rigorous method was needed.

4.5.2 Second method - a matched-pair design

In order to ensure the effect of the nature of family businesses on performance rather than the probable influence from the characteristics within company or industry such as the size and profile, a matched-pair method is adopted here for the second investigation method. The method has been introduced in some previous studies (for example, Allouche et al., 2008; McConaughy et al., 2001; Mishra, Randoy and Jenssen, 2001; Miller, Le Breton-Miller, Lester and

Cannella, 2007), as the more convincing and scientific method to conduct the comparisons between FBs and non-FBs, and strong-controlled FBs and weak-controlled FBs.

The methodology aims at comparing family and non-family businesses under the same profile, namely, the same industry and size. Each pair is composed of two listed companies, which include one FB and one NFB that matched in their industry and size. This approach helps neutralize two important potential factors of performance variance, size and industry (Allouche et al., 2008). However, it has not been conducted in the Chinese context.

The particular classification code by China Securities Regulatory Commission is still used to identify the business industry category. However, we use the second-layer of classification this time, that is, 65 industries rather than 13 general industry sectors. As regards the needs of this research, 13 industry sectors are too general and unclear to represent the industry category for the companies, particularly when a matched-pair method is conducted, on the contrary the 200 sub-industries are too precise, as many sub-industries contain only very few companies.

In terms of size, the revenue (or sales) or number of employees are considered at the same level within a 10% threshold for two companies to be classified into one matched-pair.

4.5.2.1 Financial ratios in the analysis

This research gathers the data regarding financial indicators such as *ROA, ROE, Return on equity per share, EBIT, pretax margin,* etc...in order to gain a clearer picture of the potential performance advantages of family businesses. With regard to financial structures, several financial ratios are selected to be compared, such as total debts/total capital, long-term debt/total capital, current ratios, quick ratio, etc…The formulations for calculating these financial ratios are shown in appendix-3.

4.5.2.2 The main procedures of making matched pairs are in the following:

1. As aforementioned, in order to gain the data of corresponding financial indicators of all listed companies in China, Thomson One Banker is adopted as the database in this research. When this database system is operated, the sample is chosen as the listed companies in Shanghai and Shenzhen Stock Exchanges, and the profile of the companies (such as Quote Symbol, Number of Employees) and various financial indicators (such as ROA, ROE, EBIT/Sales, Total debt/total capital, Inventory Turnover, Current Ratio, Net Margin…etc) are chosen as the factors to measure the performance and financial structures of FBs and NFBs. After inputting these options, the result is extracted into an excel file, which is named as “list 1” (showing in the appendix-4) in this dissertation.

2. The list of companies in each industry (totally 65 industries) refers to the classification result posted up in two professional stock database websites www.cnlist.com and www.jrj.com. The corresponding companies with relevant data in each industry can be picked up from list 1 (the list of all listed companies in two Stock Exchanges) to new excel files (named as type 2 files in the following). Hence, the 65 single excel files (type 2 files) can be obtained.

3. In accordance with the list (named as list 3 in following context, also see appendix-2) of FBs published by *Capital Week* (2008), the FBs could be identified and separated from the list of listed companies in each single excel files (type 2 files). Then two groups of listed companies can be shown in each excel file (see examples in appendix-5). Since there are two kinds of FBs shown on list 3 (one kind is strong-controlled FBs, the other one is weak-controlled FBs), two different colors are marked for different types of FBs: the strong-controlled FBs in black, the weak-controlled FBs in green. Therefore, each of excel files (totally 65 excel files because of 65 industries classifications) includes non-FBs (in black) in one group and following FBs in the other group (with two different colors, one type in black, the other type in green), both of which belong to the same industry (also see examples in appendix-5).

4. From each single excel file (type 2 files, means each industry), meanwhile under the same sales volume or number of employees (threshold setting as 10%), one FB and one NFB are chosen to build a pair. Then, following this method, one FB and one NFB, which have the similar size and come from the same industry, are established as one matched-pair. Here when the firms from

the group of FBs are chosen, the type of FBs is ignored, because the aim of this step is to compare the performance between non-FBs and all FBs without distinguishing the levels of control by family.

5. Within each single excel file (type 2 files, means each industry), meanwhile under the same sales volume or number of employees (threshold setting as 10%), one NFB and one strong-controlled FB (which must be in red color) are chosen in order to establish one matched-pair, each of which is composed of one NFB and one strong-controlled FB. These matched-pairs are prepared to compare the performance between strong-controlled FBs and NFBs.

6. From the group of FBs within each single excel file (type 2 files), meanwhile under the same sales volume or number of employees (threshold setting as 10%), one strong-controlled FB (in red color) and one weak-controlled FB are chosen to establish one matched-pair, for the aim of comparing the performance between strong-controlled FBs and weak-controlled FBs.

Following above steps, totally 314 matched-pairs are built within entire 65 industries; While 297 pairs are adopted as valid data for analysis after taking out the pairs which include the companies being in the conglomerate group or pure financial industry, or having the aberrant data (See Appendix 6). Moreover, among all 297 valid matched-pairs, 177 pairs are built as strong controlled family businesses vs. nonfamily businesses (Type B vs. Type A); 76 pairs are built as weak controlled family businesses vs. non family businesses (Type C vs Type A); 44 are built as weak controlled family businesses vs. non family businesses (See appendix-7).

Sector Code	Industry sectors	Industry Code	Industries	Amount of listed companies	Amount of family listed-companies	Amount of matched pairs
A	Farming, Forestry, Animal Husbandry and Fishery	A01	Farming	14	2	1
		A03	Forestry	4	2	0
		A05	Animal Husbandry	6	3	1
		A07	Fishery	9	3	2
		A09	Services for Farming, Forestry, Animal Husbandry and Fishery	1	0	0
B	Mining and Quarrying Industries	B01	Mining and Washing of Coal	24	1	0
		B03	Extraction of Petroleum and Natural Gas	3	0	0
		B05	Mining and Dressing of Ferrous Metal Ores	2	0	0
		B07	Mining and Dressing of Nonferrous Metals Ores	7	1	0
		B09	Mining and Dressing of Nonmetal Ores	0	0	0
		B49	Mining and Dressing of Other Ores	0	0	0
		B50	Services for Mining and Quarrying	2	1	0
C	Manufacturing	C00	Manufacture of Food and Beverage	60	15	10
		C01	Manufacture of Textile Garments, Footwear and Headgear;Feather, Furs, Down and Related Products	62	18	16
		C02	Timber Processing, Bamboo, Cane, Palm Fiber & Straw Products; manufacture of Furniture,	6	4	0
		C03	Papermaking and Paper Products; Printing and Record Medium Reproduction; Manufacture of Cultural, Educational and Sports Goods	31	11	7
		C04	Petroleum processing, Coking and Nuclear Fuel Processing; Manufacture of Raw Chemical Materials and Chemical Products; Rubber and plastic products	124	32	31
		C05	Electric components, equipments and facilities	68	23	14
		C06	Metal and nonmetal products	139	26	25
		C07	Manufacture of Instruments, Meters and Machinery	243	61	56
		C08	Medical and Pharmaceutical Products	108	41	24
		C99	Other manufacturing	12	2	0
D	Production and Supply of Electricity，Gas and Water	D01	Production and Supply of Electricity and Heating Power	57	3	3
		D03	Production and Supply of Gas	3	1	0
		D05	Production and Supply of Water	6	0	0
E	Construction	E01	Building and civil engineer work industry	30	6	4
		E05	Architectural decoration industry	2	2	0
F	Traffic, Transportation，Storage Services	F01	Railway Transport	2	0	0
		F03	Highway Transport	4	1	0
		F05	Pipeline Transport	0	0	0
		F07	Waterway Transport	12	0	0
		F09	Air Transport	9	0	0
		F11	Carrying and other transport services	34	4	4
		F19	Other Transportation industries	0	0	0
		F21	Storage industry	2	0	0
G	Information Transmission,Computer Services and Software	G81	Communication and related equipments production	41	20	7
		G83	Computer and related equipment production	10	1	0
		G85	Communication service industry	8	3	0
		G87	Computer application service industry	44	17	7
H	Wholesale and Retail Trade	H01	Food, Beverage, Tobacco and household goods wholesale trade	4	0	0
		H03	Energy, material, Mechanical and Electronic equipment wholesale trade	4	0	0
		H09	Other wholesal trade	0	0	0
		H11	Retail Trade	56	15	8
		H21	commercial brokerages and agencies	22	2	1
I	Finance and insurance industry	I01	Banking	14	0	0
		I11	Insurance	2	0	0
		I21	Securities and futures	9	0	0
		I31	Finance and affiance industry	3	0	0
		I41	Fund industry	0	0	0
		I99	Other finance industry	0	0	0
J	Real estate industry	J01	Real estate development and operation	107	41	30
		J05	Real estate management	1	1	0
		J09	Real estate intermediary service	0	0	0
K	Social service industry	K01	public facilities industry	16	1	1
		K10	Postal sevices	0	0	0
		K20	Scientific Research，Technic Services	1	0	0
		K30	Catering	26	3	1
		K99	Other social sevices	2	0	0
L	Publishing and culture industry	L01	Press industry	3	0	0
		L05	Audio-visual industry	0	0	0
		L10	Radio, film and television industry	4	0	0
		L15	Art industry	0	0	0
		L20	Information transmitting services	3	1	0
		L99	Other culture, transmitting services	0	0	0
M	Conglomerate	/	/	69	22	17

Table-4.3 shows the distribution of listed companies, family businesses and matched-pairs in each industry based on in Shanghai and Shenzhen stock exchange.

4.5.2.3 Matched-pairs T test

For conducting statistic analysis for matched-pair samples, this investigation uses *paired-samples T test* of *compare means analysis* by SPSS Statistic software. Table-4.4 is the output of the paired-samples T test on ROA (return on asset) between the 176 matched-pairs of strong controlled family businesses and non-family businesses. Because of some missing data, only 160 pairs among 176 are taken in account in the comparison.

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	B-Return On Assets	7.9114	160	5.84583	.46215
	A-Return On Assets	5.3076	160	7.35327	.58133

(1)

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	B-Return On Assets & A-Return On Assets	160	.138	.081

(2)

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	B-Return On Assets - A-Return On Assets	2.60388	8.73850	.69084	1.23947	3.96828	3.769	159	.000

(3)

Table-4.4 Paired samples T test on *return on asset* between Non-FBs and FBs based on the data of year 2007

As Table-4.4 shows, *B-Return On Assets* represents the ROA of strong family-controlled business and *A-Return On Assets* the ROA of non-family businesses.

In order to compare the different performances on each financial indicator between FBs (type B) and NFBs (type A), the output data such as the number of valid pairs, the mean, the difference and the significance level are noted respectively. In Table-4.4, N (160) means the number of valid pairs included into the paired-samples T test for ROA, as the SPSS eliminates the pairs with missing data of FB (type B) and/or NFB (type A). Table-4.4-(3) shows the difference between the mean of *A-Return On Assets and B-Return On Assets*. In Table-4.4-(3), *Sig. (2-tailed)* indicates the statistical significance, which is recorded at three levels as 1%, 5%, 10% on the tables (see Table-5.1, 5.2, 5.3, 5.4). In this case the statistical significance of the difference on ROA as the Table-4.4- (2) displays, is recorded as *<1%*.

4.5.2.4 Wilcoxon Signed Ranks Test

Besides the paired-sample t-test being used in the methodology part, the *wilcoxon test* by *2 related samples test* is conducted subsequently in order to calculate the percentage of those pairs, of which mean value are in favor of FBs (or strong controlled FBs in fifth and sixth tests) compared with Non-FBs, regarding to each financial ratios as a variable. Table-4.5, which is the output from the *Wilcoxon test* on *Return On Asset* toward the matched–pairs sample between strong controlled FBs (Type B) and non-FBs (Type A), shows how to count the *percentage in favor of strong controlled FBs (Type B).*

The outcome from the *Wilcoxon test,* table-4.5-(1) helps us to calculate how many percent of the pairs include the favorable mean value for Type B company compared to Type A company in the matched-pair when comparing the *mean* within each pair on the variable of *Return On Asset*.

In column N within the Table-4.5-(1), 105[a] indicates the number of the pairs for which the mean is in favor of *B-Return On Asset (type B companies)*, since the explanation followed to 105 [a] noted as “a. A-Return On Asset < B-Return On Asset”. As we know, the higher value of *Return On Asset,* the higher rate of the return on the ownership interest of the stock owners for each share thus the more profitable the company is. Accordingly, the percentage in favor of Type B counted from the number of pairs which mean value are in favor of type B companies divided by the number of total pairs, that is 105/160≈65.63% (two figures are kept after the decimal point) , is recorded in Table-5.1.

Ranks

		N	Mean Rank	Sum of Ranks
A-Return On Assets - B-Return On Assets	Negative Ranks	105[a]	82.39	8651.00
	Positive Ranks	55[b]	76.89	4229.00
	Ties	0[c]		
	Total	160		

a. A-Return On Assets < B-Return On Assets

b. A-Return On Assets > B-Return On Assets

c. A-Return On Assets = B-Return On Assets

(1)

Test Statistics[b]

	A-Return On Assets - B-Return On Assets
Z	-3.767[a]
Asymp. Sig. (2-tailed)	.000

a. Based on positive ranks.

b. Wilcoxon Signed Ranks Test

(2)

Table 4.5 Wilcoxon test on *return on asset* between type A and type B firms

The Frequencies Test

4.5.2.5 Looking for abnormal cases, if any

The further procedure is to be conducted if the output with insignificant results appears from the first treatment. The insignificant results can be stem from some abnormal data in the sample on certain variables. The following case is explained as an example.

Table-4.6 is the output result of the paired-samples T test on *Return On Equity Per Share* between the samples of strong controlled family businesses (Type B) and non-family businesses (Type A). As Table-4.6 (3) shows, the *Sig. (2-tailed)* is counted as 25.8%, which stays at high level hence it is not convincing. One should remember that this means that we would have a high possibility to be wrong, as high as 25.8%, if we said that the difference of means of ROE that we find on the sample would result from as effective difference in the whole population. So the test is rejected. Meanwhile, as Table-4.6-(1) indicates, the mean of the *A-Return on Equity per share* (Type A companies) is outputted as -36.2394. This has the possibility to be considered as an very abnormal result, because the huge unusual difference of the mean between *B-Return On Equity Per Share* and *A- Return On Equity Per Share* besides the mean of *A- Return On Equity Per Share* is counted to a extremely negative number. Such a situation may result from the presence of same very abnormal data. Taking out such data from the sample may help to have a clearer image about compared ROE between FBs and NFBs.

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	B-Return On Equity Per Share	15.4196	154	18.56716	1.49618
	A-Return On Equity Per Share	-36.2394	154	564.30423	45.47293

(1)

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	B-Return On Equity Per Share & A-Return On Equity Per Share	154	-.023	.779

(2)

Paired Samples Test

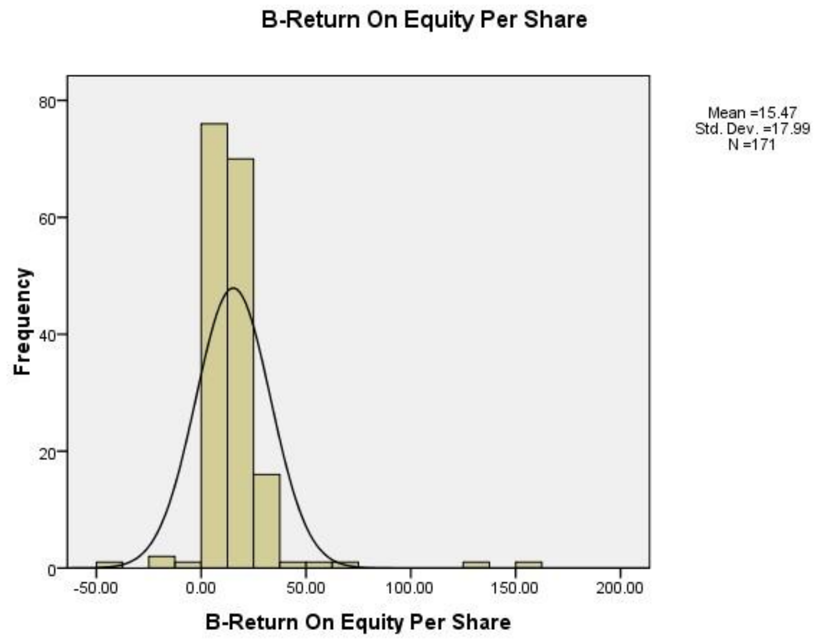
		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	B-Return On Equity Per Share - A-Return On Equity Per Share	51.65903	565.03284	45.53164	-38.29285	141.61090	1.135	153	.258

(3)

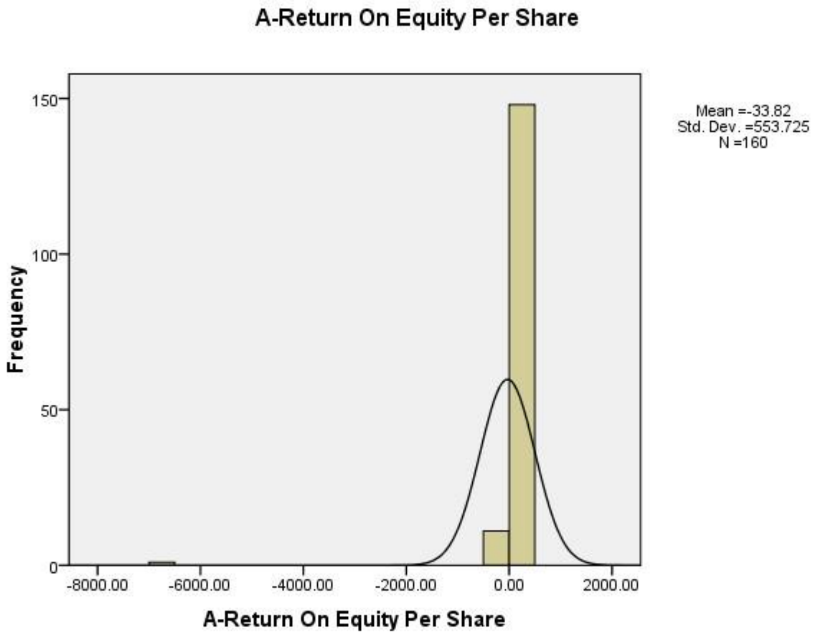
Table-4.6: Output of paired samples T test on *Return on Equity per share* between strong controlled FBs (type B) and NFB (type A)

In order to do so, the *Frequencies* test by *Descriptive Statistics* is conducted for the overview on the whole distribution of the data of both samples, the one of FBs and the one of NFBs. We get histogram and the table of data frequencies from SPSS Statistics.

The histogram-4.1-(2) on *A-Return on Equity Per Share* shows a deviated data which is less than *-6000,* far from the main distribution curve of data for *A-return on equity per share*; and only one data (-6989.85) which is the lowest one within samples doesn't belong to the main distribution of data, viewing from the frequencies table (see appendix-8). This extremely deviated data affects the result of mean calculation so that the mean result in Table-4.6 cannot reflect the real condition of *A-Return on Equity Per Share*, and thus the comparison between strong controlled FBs (type B) and NFBs (type A) for the year of 2007.



(1)



(2)

Histogram-4.1 Frequency test regarding *return on equity per share* for both non-FBs and strong-controlled FBs

Then, the deviated data should be eliminated at the next step. The data selection for the statistics on variable *A-Return on Equity Per Share* is set to satisfy the condition as *>-2000.* Therefore, the case with the ROA lower than -2000 is excluded, and the related pair will not be taken into account in succeeding test.

Next, the paired-samples T test on *Return on Equity Per Share* is conducted again after that pair has been excluded. The new achieved output is shown as Table-4.7. Comparing with Table-4.6, the number of pairs is *153* instead of *154*, because of the pair that has been picked out as aforementioned. Accordingly, the mean of *A-Return on Equity Per Share* amounts *9.2090*, and *Sig. (2-tailed)* is *0.005,* which is *<1%,* the much more confident outcome.

Consequently, the output data from Table-4.7 is adopted as the valid one. We record it into the final result table (see Table-5.1). On the basis of this Table-4.7, we conclude that there is a significant difference in *Return on Equity per Share* between family businesses (Type A) and non family businesses (Type B)

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	B-Return On Equity Per Share	15.3880	153	18.62399	1.50566
	A-Return On Equity Per Share	9.2090	153	18.58075	1.50216

(1)

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	B-Return On Equity Per Share & A-Return On Equity Per Share	153	-.053	.518

(2)

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	B-Return On Equity Per Share - A-Return On Equity Per Share	6.17902	26.99073	2.18207	1.86791	10.49012	2.832	152	.005

(3)

Table-4.7 Output of the second paired samples T test on *Return on Equity per share* between strong controlled FBs (type B) and NFB (type A)

Then, the *wilcoxon test* by *2 related samples test* is conducted subsequently on the 153 pairs.

Ranks

		N	Mean Rank	Sum of Ranks
A-Return On Equity Per Share - B-Return On Equity Per Share	Negative Ranks	96[a]	81.69	7842.50
	Positive Ranks	57[b]	69.10	3938.50
	Ties	0[c]		
	Total	153		

a. A-Return On Equity Per Share < B-Return On Equity Per Share

b. A-Return On Equity Per Share > B-Return On Equity Per Share

c. A-Return On Equity Per Share = B-Return On Equity Per Share

(1)

Test Statistics[b]

	A-Return On Equity Per Share - B-Return On Equity Per Share
Z	-3.556[a]
Asymp. Sig. (2-tailed)	.000

a. Based on positive ranks.

b. Wilcoxon Signed Ranks Test

(2)

Table-4.8 Output of the Wilcoxon Test on *Return on Equity per share* between strong controlled FBs (type B) and NFB (type A)

4.5.2.6 Other case

The detailed testing processes which compose of six comparisons' results are recorded in the CD-rom (see Appendix-8), which is pasted on the back cover. Here we only state a few exceptional cases and explanation, as well as the previous illustration.

For some financial ratios, significant result cannot be achieved even after several rounds of frequency tests conducted to identify and exclude potential abnormal cases, then the outcome gained from the first test is recorded. For example, we did so for the test on *net income* between type A and type B firms for the year 2007 (see Appendix-8).

For some financial ratios, however, even if the significant result cannot be reached finally, we still record the result after extracting some extremely deviated data. Here, we introduce an example, which is the comparison test on *cost of goods sold to sales* between Non-FBs and all FBs based on the data of year 2008.

Table-4.9 is the output of the paired-samples T test on *Cost of good sold to sales* between the samples of All FBs (including Type B and C) and Non-FBs (Type A). With 230 valid matched paired taken in the calculation, the mean of *cost of goods sold to sales* regarding all FBs is 68.88, and 69.17 for non-FBs (two figures are kept after the decimal point). The *sig. (2-tailed)* is shown as 0.887 which means that it is not a significant result. Therefore, more tests are to be proceeded next.

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	BC-Cost Of Goods Sold To Sales	68.8801	230	18.69179	1.23250
	A-Cost Of Goods Sold To Sales	69.1676	230	30.88846	2.03672

Paired Samples Correlations

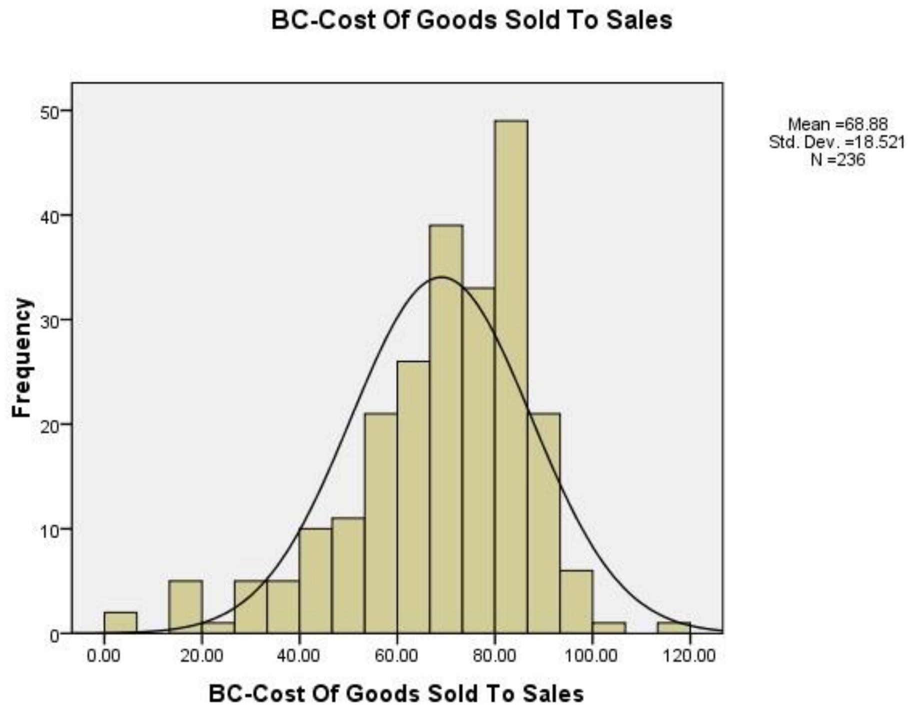
		N	Correlation	Sig.
Pair 1	BC-Cost Of Goods Sold To Sales & A-Cost Of Goods Sold To Sales	230	.312	.000

Paired Samples Test

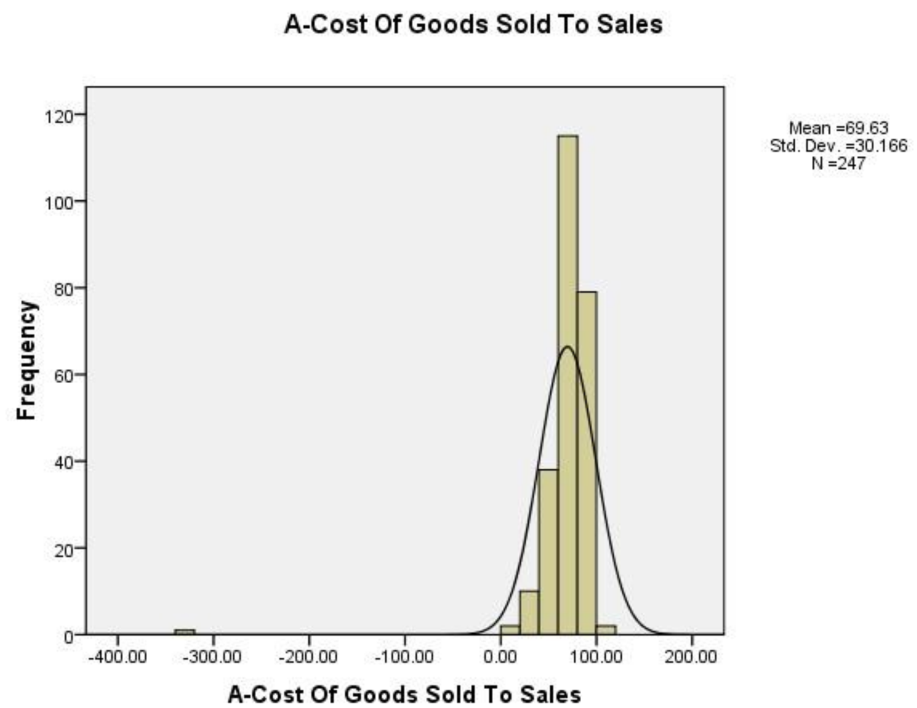
		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	BC-Cost Of Goods Sold To Sales - A-Cost Of Goods Sold To Sales	-.28743	30.71982	2.02560	-4.27864	3.70377	-.142	229	.887

Table-4.9: paired-samples T test on *Cost of good sold to sales* between the samples of All FBs (including Type B and C) and Non-FBs (Type A)

Histogram-4.2 is the output from the *Frequencies* test by *Descriptive Statistics* of SPSS software. There is one value deviated from the main distribution of data regarding A- *cost of goods sold to sales*, as the Histogram-4.2-(2) shows. Therefore, the data exclusion is to be conducted, as the condition *A- cost of goods sold to sales ≥ 0 is set.*



(1)



(2)

Histogram-4.2: Frequency test regarding *cost of goods sold to sales* for both non-FBs (type A) and strong-controlled FBs (type B)

The paired-samples T test on *cost of goods sold to sales* is run again after the data exclusion. The new output is shown by Table-4.10. With 229 valid matched paired taken in the calculation, the mean of *cost of goods sold to sales* regarding all FBs is 69.11, and 70.89 for non-FBs. The *sig. (2-tailed)* is shown as 0.198 which is still not a significant result.

As we then run the frequency tests and paired-sample T tests several times, a significant result cannot be reached. In this case, the outcome of the second paired-sample T test is recorded, because it is the one gained after the extremely deviated data excluded.

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	BC-Cost Of Goods Sold To Sales	69.1096	229	18.40531	1.21626
	A-Cost Of Goods Sold To Sales	70.8883	229	16.56151	1.09442

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	BC-Cost Of Goods Sold To Sales & A-Cost Of Goods Sold To Sales	229	.294	.000

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	BC-Cost Of Goods Sold To Sales - A-Cost Of Goods Sold To Sales	-1.77873	20.83481	1.37680	-4.49162	.93415	-1.292	228	.198

Table-4.10 second paired-samples T test on *Cost of good sold to sales* between the samples of All FBs (including Type B and C) and Non-FBs (Type A)

Chapter 5. Result and Discussion

This research compares various financial indicators between FBs and non-FBs by match-pairs design. As aforementioned, the comparisons are tested based on the data of year 2007 and 2008. Therefore, totally six comparison outcomes are achieved in this research.

The first comparison is conducted between NFBs and strong-controlled FBs depending on the data of year 2007. On the basis of the theoretical foundation and the hypotheses in this research, NFBs and strong-controlled FBs are two most sharply contrasted kinds of companies, thus it would be the first and best choice to test the hypotheses by this comparison. The second outcome is gained from the comparison between NFBs and All FBs depending on data of year 2007. This comparison is between two kinds of less contrasted companies than the first one. Even so, there is still a strong expectation to find the evidence from the second outcome, in order to prove the better performance and financial structure of FBs compared to non-FBs.

The third and fourth comparisons are still conducted between NFBs and strong-controlled FBs, and between NFBs and All FBs, respectively. The data of these two comparisons are selected from the year 2008, which is the only difference with first and second comparisons.

The fifth and sixth comparisons are undertaken directly between strong-controlled FBs and weak-controlled FBs depending on the data of year 2007 and 2008, respectively.

5.1 The first outcome and its interpretation – Strong control FBs vs. NFBs, 2007

Table-5.1 is the first outcome acheived from this research. By using matched-pairs T test, NFBs (type A) are compared with the strong controlled FBs (type B) on the basis on several financial indicators. All data are collected from the year 2007 in Thomson One Banker database. By the comparison test between the two sharply contrasted types (Type A vs. Type B), the outcomes recorded in this table clearly support Hypothesis 1 regarding the profitability and partially support Hypothesis 2 regarding the liquidity, but for the indebtedness of the financial structures.

Ratios	n	Means			Significance	% of pairs in favor of FBs
		NFB	FB	Difference		
Return on Assets	160	5.31%	7.91%	2.60%	*<1%*	65.63%
Return on Equity per share	153	9.21%	15.39%	6.18%	*<1%*	62.75%
Return on Invested Capital	158	6.50%	10.00%	3.50%	*<1%*	64.56%
Ebit	167	15.1	18.19	3.09	*<5%*	62.87%
Net Income	164	7.97	10.08	2.11	*<5%*	60.37%
Pretax margin	177	9.23%	13.21%	3.98%	*<1%*	59.32%
Ebit/Sales	175	12.20%	15.40%	3.20%	*<5%*	60.00%
Net Income / Sales	177	6.62%	9.93%	3.30%	*<1%*	59.32%
Cost of goods/sales	177	71.91%	70.48%	-1.43%	32.30%	57.06%
Sales per employee	41	1.13	0.22	-0.91	34.90%	46.34%
Total Debt/Total Capital	154	52.03%	54.34%	2.04%	60.30%	47.40%
Long Term Debt / Total Capital	176	9.72%	9.95%	0.23%	87.30%	35.80%
Total Debt/Total Common equity	162	78.62%	75.52%	-3.09%	76.30%	47.53%
Current Ratio	163	1.31%	1.67%	0.36%	*<1%*	57.58%
Quick Ratio	170	0.84%	1.15%	0.31%	*<1%*	60.59%
Inventory turn-over	153	5.32%	6.96%	1.64%	*<10%*	50.98%
Cash and equivalence/current assets	171	29.71%	34.34%	4.63%	*<5%*	56.73%
Cashflow/sales	174	12.67%	14.88%	2.21%	*<5%*	59.77%
Capital Expenditures/Total Assets	159	6.78%	10.98%	4.21%	*<1%*	57.86%
Asset per employee	41	1.79	0.61	-1.18	29%	46.34%
R&D/sales	**shortage of data**					
Foreign assets/total Assets	**shortage of data**					
Foreign Sales/total Sales	**shortage of data**					
Dividend Payout	**shortage of data**					

Table-5.1 the outcomes of the comparison test between NFBs (Type A) and strong-controlled FBs (Type B) based on the data of year 2007

5.1.1 The outcomes regarding hypothesis 1

Hypothesis 1 has been designed as follows: Hypothesis 1: In China, family businesses (FBs) enjoy superior performance than non-family businesses (NFBs) do.

In terms of profitability, almost all related ratios show superior results for FBs; and most of the ratios have significant difference between FBs and NFBs. Meanwhile, in the column of *percentage in favor of FBs*, nearly all the results are over 60% or approach 60% favorable for FBs. *Return on asset* (ROA) and *return on invested capital* (ROIC) clearly show significant differences at 1% level. It suggests that FBs are more profitable by using their assets to generate earnings and more efficient at allocating the capital to profitable investments.

The ratio of *return on equity per share* is also a quite important index from the view of public shareholders. The outcome reflects that FBs are more capable to create the profit by each unit of stock, and the significance level is also at 1%.

Earnings before interests and taxes (EBIT) and *net income* are both in favor of FBs and significant at 5% level. Regarding all above-mentioned indicators, FBs enjoy better ratios in over 60% or 65% of pairs. Foregoing outcomes are in accordance with most empirical studies in the field, concerning other countries than China. Briefly speaking, from the perspective of both shareholders and other stakeholders, FBs are more profitable than NFBs in terms of financial profitability, in China as we show, as in several other countries.

For evaluating how well the companies enjoy profitability from sales, the ratios of *Net income/sales*, *EBIT/Sales*, and *pretax margin* are all in significant level and favorable for FBs; and they all keep around 60% pairs in favor of FBs.

The ratio of *cost of goods sold to sales* does not show significant difference for two kinds of firms, although FBs own better value in majority of pairs. The ratio of *sales/employee* is in favor of NFBs, but this result is not significant (34.90%) and it is calculated depending on few valid data of samples (only 41 valid pairs are taken into the counting compares to total 177 pairs).

The above outcomes show that FBs are more profitable, and lower in cost from the same sales value. It suggests that: FBs use their resources very carefully and sparingly due to the fact that the family owns those resources and care about them. Our results support the perspective of parsimony provided by Carney (2005) as one of the governance characteristics of FBs. It also proves the view of Yeung (2000), that is, Chinese family businesses are normally very sensitive to matters of cost and financial efficiency.

5.1.2 The outcomes regarding hypothesis 2

Hypothesis 2 has been designed as follows (Chapter 4): In China, family businesses (FBs) have stronger financial structures than non-family businesses (NFBs).

Regarding the test of financial structures for Hypotheses 2, all of ratios in terms of liquidity show significant differences, in favor of FBs. Differences in *current ratio* and *quick ratio* are both significant at 1% level, and differences in the ratio of *cash and cash equivalents/current assets* are significant at 5% level; moreover, 60% or near 60% of pairs regarding these three ratios are in favor of

FBs. Similarly, the differences in the ratio of *cash flow/sales* also show the better outcome for FBs at a significant level, which indicates the better ability of FBs to generate cash from its current operation. The ratio of *inventory turnover* also is in favor of FBs at a significant level.

The above outcomes suggest that: FBs have better ability to face their current liabilities or other short-term demands. These results show that FBs have greater ability to meet their short-term commitments (Allouche et al., 2008), This is accordance with Mishra and McConaughy (1999), who underline the careful management by FBs of current liabilities in order to avoid the risk of loss of control.

Moreover, the ratio of *capital expenditures/total assets* shows significant difference (<1%) in favor of FBs. It reveals that FBs are more likely to invest in new infrastructure for future development, which could support the long-term orientation of FBs (Le Breton Miller and Miller, 2006).

In terms of indebtedness, the related ratios, which are *long-term debt/total capital*, *total debt/total capital* and *total debt/total common equity*, do not show significant differences between FBs and non-FBs. Meanwhile the outcomes show that FBs have some disadvantages in the item of *percentage in favor of FBs*. This result is not consistent with numerous previous empirical studies and academic findings (for example, Allouche et al., 2008; McConaughy et al., 2001; Mishra and McConaughy, 1999), which point out that FBs are less dependent on lenders than are NFBs derived from their investigation outcomes.

Mainly two reasons may explain these outcomes, referring to the interpretation from Chen and Jin (2006) about the higher rate of debt, particular the long-term debt of FBs compared with NFBs in Chinese stock exchanges.

First, normally the families own very large proportion of total shares in family controlled listed-companies in China (see table-4.2) in order to keep their absolute control on the businesses. Thus usually CFBs are more likely to conduct debt financing instead of equity financing for developing their businesses. FBs in China are usually not willing to decentralize the ownership through equity financing. Therefore, the high level of long-term debt and then total debt compared to capital and common equity could be due to the debt financing preference of CFBs. This result is also consistent with the findings of Gonzalez et al. (2012): risk aversion pushes firms to be less dependent on debt, but the need to finance growth without losing family control makes FBs to suffer higher debt levels.

Second, in China, the outside investors would reduce their interests in the family businesses without high compensation rate on risk undertaken. Outside investors usually consider that the CFBs are comparatively inferior in information transparency and deficient in protection mechanism for the investors. In addition, related regulation and monitory system on listed companies in China have not achieved perfect maturation yet.

These reasons could be considered as the main causes of the high debt rate of FBs in China compared to NFBs, contrary to what happens in other countries.

5.1.3 Other ratios

Moreover, more ratios are calculated herein. The ratio of *asset/employee* is in favor of **NFBs**, whereas this result is not significant (22.70%). In addition, it is calculated depending on few valid data (only 39 valid pairs are taken into the counting compared to total 177 pairs).

This research also intends to further compare the *R&D/Sales*, f*oreign assets/total assets*, and *foreign sales/total sales* between FBs and NFBs in order to gain more evidences that FBs are more on a long-term orientation than non-FBs, and to investigate the respective tendency regarding international strategy. However, the data connected with the relevant ratios are insufficient in our database, so we cannot carry out these comparisons.

5.2 **The second outcome and its interpretation – all FBs vs. NFBs, 2007**

Table 5.2 is the second outcome acheived from this research. NFBs (type A) are compared with All FBs (type B&C) through matched-pairs T test and Wilcoxon test on various financial ratios. All data are selected from the year 2007 in Thomason One Banker database. By the comparison between the two types (Type A vs. Type B&C), the result of tests recorded in this table also supports Hypothesis 1 regarding the profitability and partially supports Hypothesis 2 regarding the liquidity, but the indebtedness.

Ratios	n	Means			Significance	% of pairs in favor of FBs
		NFB	FB	Difference		
Return on Assets	229	4.99%	7.42%	2.43%	*<1%*	65.94%
Return on Equity per share	214	8.06%	12.74%	4.69%	*<1%*	63.08%
Return on Invested Capital	228	6.03%	9.06%	3.02%	*<1%*	64.91%
Ebit	243	19.32	22.69	3.37	*<5%*	62.96%
Net Income	247	10.14	12.3	2.17	*<10%*	58.30%
Pretax margin	248	9.32%	13.56%	4.24%	*<1%*	59.68%
Ebit/Sales	246	12.40%	16.28%	3.88%	*<1%*	61.38%
Net Income / Sales	250	6.21%	10.13%	3.92%	*<1%*	59.20%
Cost of goods/sales	252	71.41%	70.38%	-1.03%	39.00%	53.97%
Sales per employee	58	0.95	0.28	-0.67	32.90%	44.83%
Total debt/Total Capital	253	94.45%	31.58%	-62.87%	17.40%	47.83%
Long Term Debt / Total Capital	252	11.39%	9.96%	-1.43%	32.60%	40.08%
Total debt/Total Common equity	252	103.99%	66.98%	-37.01%	38.20%	46.43%
Current Ratio	241	1.33%	1.67%	0.34%	*<1%*	57.68%
Quick Ratio	241	0.76%	1.04%	0.28%	*<1%*	60.17%
Inventory turn-over	223	5.05%	6.31%	1.26%	*<10%*	50.67%
Cash and equivalence/current assets	242	29.42%	32.82%	3.40%	*<5%*	55.79%
Cashflow/sales	243	12.73%	13.59%	0.86%	32.80%	54.32%
Capital Expenditures / Total Assets	232	6.92%	8.84%	1.92%	*<5%*	51.29%
Asset per employee	56	1.01	0.55	-0.46	*<10%*	46.43%
R&D/sales	shortage of data					
Foreign assets/total Assets	shortage of data					
Foreign Sales/total Sales	shortage of data					
Dividend Payout	shortage of data					

Table 5.2: the outcomes of the comparison test between NFBs (Type A) and All FBs (Type B & C) based on the data of year 2007

5.2.1 The outcomes regarding hypothesis 1

In terms of profitability, almost all related ratios show superior results for FBs; and most of the ratios have significant differences between FBs and NFBs.

Meanwhile, in the item of *percentage in favor of FBs*, nearly all relevant results are over 60% or approach 60% in favor of FBs. *ROA* and *ROIC* clearly show significant differences at 1% level. These outcomes can clearly show that FBs are more profitable, and are more efficient when allocating the capital to profitable investments.

The ratio of *return on equity per share*, as an index representing the ability of the firm to create profit for each unit of stock for stockholders, also shows a better result for FBs, and the significant difference is at 1% level. *Earnings before interests and taxes (EBIT)* and *net income* are both in favor of FBs and their significant level are at 5% and 10%, respectively. All ratios regarding above-mentioned indicators are in favor of FBs based on the data of year 2007.

Foregoing outcomes are in accordance with most empirical studies in the field. To summarize, FBs are more profitable than NFBs in terms of financial profitability from both the view of shareholders and other stakeholders.

For evaluating how well the companies enjoy profitability from sales, the ratios of *Net income/sales*, *EBIT/Sales*, and *pretax margin* have significant superior result for FBs; and they all keep around 60% pairs in favor of FBs. As in the first outcome, the difference regarding the ratio of *cost of goods sold/sales* is insignificant, although there are still over 50% of pairs which have a superior ratio for FBs.

Different from the first result, the ratio of *cash flows/sales* is not significant in favor of FBs. With restricted valid samples (only 41 valid pairs are taken into the test), the testing result concerning *sales per employee* is still insignificantly in favor of NFBs, as well as the first outcome.

Similar with the first outcome, the above results show that FBs are more profitable, and more efficient in managing cost as they have larger profit margin and lower cost in same sale volume. These results could clearly provide the evidences to support hypothesis 1, which assume the better performance of FBs compared to non-FBs in China.

5.2.2 The outcomes regarding hypothesis 2

Regarding the test of financial structures for Hypothesis 2, all of the ratios in terms of liquidity show significant differences in favor of FBs. Differences in *Current ratio* and *quick ratio* are both significant at 1% level; moreover, nearly 60% of pairs regarding these three ratios are in favor of FBs. In addition, the ratio of *inventory turnover* also shows significant difference between NFBs and FBs. The above results indicate that FBs have better ability to meet their short-term financial demands, and survive in adverse economic (Mishra and McCnaughy, 1999).

The ratio of *capital expenditures/total assets* shows a significant difference (<5%) which is in favor of FBs, similar with the first outcome. It could further prove the long-term orientation of FBs (Le Breton Miller & Miller, 2006).

In terms of indebtedness, the relevant ratios, which are *long-term debt/total capital*, *total debt/total capital* and *total debt/total common equity*, show insignificant differences between NFBs and FBs, while inferior outcomes are displayed in the item of *percentage in favor of FBs*. These outcomes are alike as the ones in first result. It could be explained by the same reasons which are interpreted for first result.

5.2.3 Other ratios

Moreover, the ratio of *asset/employee* is in favor of **NFBs**, and this result is at a significant level (<10%), which was not in the first outcome. However, this is calculated depending on minority data (only 56 valid pairs of data are taken into the counting compared to 253 pairs in total).

Besides, the ratio of *R&D/Sales*, *foreign assets/total assets*, and *foreign sales/total sales* are still short of data.

As a conclusion, we see that even when all FBs are compared to NFBs, the former perform better and better face short term commitments as far as the year 2007 is concerned. However, for reasons relating to the institutional context, FBs are more indebted than NFBs, as far as long-term debts are considered.

5.3 The third outcome and its interpretations – Strong control FBs vs. NFBs, 2008

2008	NFBs vs Strong controlled FBs					
	A versus B					
Ratios	n	Means			Significance	% of pairs in favor of FBs
		NFB	FB	Difference		
Return on Assets	160	4.65%	6.24%	1.60%	*<5%*	56.88%
Return on Equity per share	155	4.92%	8.69%	3.77%	*<10%*	54.84%
Return on Invested Capital	158	5.92%	7.68%	1.76%	*<10%*	55.70%
Ebit	152	27.8	26.19	-1.62	78.80%	55.26%
Net Income	160	15.07	14.4	-0.67	87.30%	56.25%
Pretax margin	144	8.26%	11.18%	2.93%	*<5%*	54.86%
Ebit/Sales	146	9.41%	13.44%	4.03%	*<5%*	58.90%
Net Income / Sales	149	5.88%	8.02%	2.15%	*<10%*	56.38%
Cost of goods/sales	160	71.32%	69.25%	-2.07%	21.40%	56.88%
Sales per employee	157	0.49	0.19	-0.3	37.30%	50.96%
Total Debt/Total Capital	160	54.52%	51.56%	-2.96%	63.90%	47.50%
Long Term Debt / Total Capital	160	10.15%	8.77%	-1.38%	31.20%	39.38%
Total Debt/Total Common equity	160	316.17%	69.60%	-246.58%	30.10%	46.25%
Current Ratio	154	1.78%	1.64%	-0.14%	51.60%	55.19%
Quick Ratio	138	0.71%	0.81%	0.11%	*<10%*	56.52%
Inventory turn-over	153	4.30%	5.36%	1.06%	16.00%	52.29%
Cash and equivalence/current assets	154	30.76%	31.96%	1.20%	57.60%	50.65%
Cashflow/sales	156	11.30%	14.68%	3.38%	*<5%*	57.69%
Capital Expenditures / Total Assets	150	5.70%	8.11%	2.42%	*<1%*	66.00%
Asset per employee	152	0.38	0.23	-0.15	*<5%*	51.92%
R&D/sales	**shortage of data**					
Foreign assets/total Assets	**shortage of data**					
Foreign Sales/total Sales	**shortage of data**					
Dividend Payout	**shortage of data**					

Table 5.3: the outcomes of the comparison test between NFBs (Type A) and strong-controlled FBs (Type B) based on the data of year 2008

Table-5.3 is the third outcome gained from this research. NFBs (type A) are compared with the strong control FBs (type B) through matched-pairs T test on various financial ratios. All data are selected from the year 2008 in Thomson One Banker database. By the comparison between the two types (Type A vs. Type B), the result of tests recorded in this table also supports Hypothesis 1 regarding the profitability, and partially supports Hypothesis 2 regarding the liquidity; it does not support Hypothesis 2 regarding the indebtedness.

5.3.1 The outcomes regarding hypothesis 1

In terms of profitability, the ratios of *ROA*, *ROIC* and *ROE per share* show superior outcomes for FBs at significant levels. FBs also enjoy better ratios in majority pairs regarding these three ratios. Yet *net income* and *EBIT* do not achieve the significantly better ratios for FBs. These outcomes could still prove that FBs are more profitable than NFBs in 2008, as they were in 2007.

For evaluating how well the companies enjoy profitability from sales, the ratios of *Net income/sales*, *EBIT/Sales*, and *pretax margin* have significant superior result for FBs; and FBs keep the better outcomes in majority of pairs regarding the three ratios. As in the first and second results, the difference regarding the ratio of *cost of goods sold/sales* is insignificant.

Similar with the first result (2007), the ratio of *cash flows/sales* is significantly in favor of FBs which also hold better ratios in majority of pairs. The better ability for FBs to generate cash from its current operation is proved again.

The above outcomes can still prove that FBs are more profitable and efficient in cost control than non-FBs.

5.3.2 The outcomes regarding hypothesis 2

Regarding the test of financial structures for Hypotheses 2, only *quick ratio* shows a significant difference, which is in favor of FBs; FBs also enjoy better ratios in majority of pairs. The ratio of *inventory turnover* and *current ratio* do not have significant differences between NFBs and FBs, but they have superiority in the item of percentage of pairs in favor of FBs.

The ratio of *capital expenditures/total assets* shows significant difference (<1%) in favor of FBs, similar with the first and second outcome. It still proves the long-term orientation of FBs (Le Breton Miller and Miller, 2006).

In terms of indebtedness, the ratios of *long-term debt/total capital*, *total debt/total capital* and *total debt/total common equity* regarding NFBs and FBs still show insignificant differences between NFBs and FBs. In addition, the affirmative outcomes are still displayed in the item of *percentage in favor of FBs*. These outcomes are alike as the ones in first and second results.

5.3.3 Other ratios

Finally, the ratio of *asset/employee* is still in favor of **NFBs**, and this result is a significant one (<5%), that is similar with the second result. Interestingly, FBs have advantage in number of pairs which have better ratios. The ratio of capital *expenditures/total assets* still show significant difference (<1%) which is in favor of FBs, similar with the first two outcomes.

5.4 The fourth outcomes and its interpretation – all FBs vs. NFBs, 2008

2008	NFBs vs All kinds of FBs A versus B and C					
Ratios	n	Means			Significance	% of pairs in favor of FBs
		NFB	FB	Difference		
Return on Assets	230	4.17%	5.73%	1.56%	**<5%**	55.22%
Return on Equity per share	215	4.84%	6.18%	1.34%	49.10%	54.42%
Return on Invested Capital	215	5.37%	7.00%	1.63%	*<5%*	56.74%
Ebit	205	16.60	20.16	3.57	**<10%**	55.12%
Net Income	230	13.56	15.19	1.63	62.50%	54.35%
Pretax margin	229	5.08%	7.66%	2.58%	14.90%	54.59%
Ebit/Sales	211	9.70%	12.19%	2.49%	**<10%**	57.35%
Net Income / Sales	229	3.33%	5.07%	1.74%	28.70%	54.59%
Cost of goods/sales	229	70.89%	69.11%	-1.78%	19.80%	55.02%
Sales per employee	222	0.16	0.26	0.10	**<10%**	52.25%
Total Debt/Total Capital	230	44.24%	44.02%	-1.79%	91.60%	48.70%
Long Term Debt / Total Capital	230	5.88%	8.66%	2.78%	51.70%	40.43%
Total Debt/Total Common equity	230	243.41%	76.02%	-167.39%	31.30%	48.26%
Current Ratio	213	1.40%	1.55%	0.16%	11%	58.22%
Quick Ratio	211	0.71%	0.88%	0.17%	*<5%*	57.35%
Inventory turn-over	220	4.21%	5.34%	1.13%	**<10%**	51.36%
Cash and equivalence/current assets	222	31.23%	31.62%	0.39%	82.60%	50.90%
Cashflow/sales	230	3.25%	13.24%	9.99%	23.60%	56.09%
Capital Expenditures / Total Assets	230	6.97%	7.13%	0.17%	83.00%	55.65%
Asset per employee	223	0.72	0.53	-0.2	48.60%	50.22%
R&D/sales	shortage of data					
Foreign assets/total Assets	shortage of data					
Foreign Sales/total Sales	shortage of data					
Dividend Payout	shortage of data					

Table-5.4: the outcomes of the comparison test between NFBs (Type A) and All FBs (Type B & C) based on the data of year 2008

Table-5.4 shows the fourth result gained from this research. NFBs (type A) are compared with all FBs (type B&C) through matched-pairs T test on various financial indicators. All data are selected from the year 2008 in Thomson One Banker database.

5.4.1 The outcomes regarding hypothesis 1

Regarding profitability, several ratios which are *ROA*, *ROIC* and *EBIT* show superior index for FBs at significant levels. Corresponding to these financial indicators, FBs also enjoy better ratios for the majority of pairs. The ratios of *net income/sales*, *EBIT/sales* and *sales per employee* also show significant differences in favor of FBs. Although we get few significant outcomes compared to 2007, they can still prove that FBs are more profitable and efficient than non-FBs.

5.4.2 The outcomes regarding hypothesis 2

In terms of liquidity, the *quick ratio* and *inventory turnover* show better outcomes for FBs at significant levels. FBs also enjoy better outcomes in majority of pairs regarding the two ratios. Consequently, the fourth outcome still supports that FBs have the advantages regarding liquidity.

In terms of indebtedness, the situation here is very similar to the first three outcomes. The debt related ratios, such as *long-term debt/total capital*, *total debt/total capital* and *total debt/total common equity* regarding NFBs and FBs still show the insignificant differences between NFBs and FBs; and FBs are inferior in percentage of pairs which own better ratios.

5.5 Brief summary concerning the first four results

Numerous empirical investigations find better performance and stronger financial situation in FBs compared with NFBs in western and Japanese cases. Thus, this dissertation tries to figure out whether FBs have the superior performance and financial situation than NFBs in China.

First four results are obtained from the comparisons between NFBs and strong-controlled FBs, and between NFBs and all kinds of FBs depending on the data of year 2007 and 2008, respectively.

In accordance with hypothesis 1, the outcomes of most relevant financial ratios in first four comparisons are all in favor of FBs, especially the outcomes from the first two comparisons based on the data of the year 2007.

The relevant financial ratios, which contain *ROA*, *ROIC*, *return on equity per share*, *EBIT*, *net income*, have been used to test the profitability between two kinds of firms. The FBs, no matter strong-controlled FBs or all kinds of FBs, have obvious preponderance in these financial ratios, particularly in year 2007.

The other ratios, such as *pretax margin*, *EBIT/Sales*, *net Income/sales*, *cost of goods sold/sales*, have been compared in order to evaluate how well the firms enjoy profitability from sales. As a result, FBs have obvious advantages in first three indicators (*pretax margin*, *EBIT/Sales*, *net Income/sales*) at significant levels, especially in year 2007. Therefore, one conclusion from this research is that family businesses have superior performance over non-family businesses in China. Once again, by FBs here, we mean both the strong-controlled FBs and all kinds of FBs.

The above conclusion indicates that, compared with non-FBs, FBs perform better in terms of profitability; meanwhile, FBs undertake lower cost from the same sales value. The conclusion is in line with the findings of Carney (2005), Allouche et al. (2008), etc…That is, FBs use their resources very carefully and sparingly due to the fact that it is actually themselves who own those resources and assets.

Regarding hypothesis 2, the outcomes of first four results should be separated into three parts in order to be investigated clearly.

First, in terms of liquidity, the relevant ratios, which include *current ratio, quick ratio, cash flow/sales, cash and cash equivalence/current assets, inventory turnover*, are collected to test the ability to meet the short-term demands in cash for two kinds of firms. FBs enjoy better ratios in most of these mentioned ratios, especially in the first comparison between NFBs and strong-controlled FBs in year 2007.

Second, in terms of indebtedness, FBs do not have any advantages in relevant financial ratios, which contain *total debt/total capital*, *long-term debt/total capital* and *total debt/total common equity*, in all first four comparisons. FBs even have inferior outcomes in the item of *percentage of pairs in favor of FBs* regarding three financial ratios mentioned. These outcomes are not consistent with numerous empirical findings in Western and Japanese cases (Allouche et al., 2008; McConaughy et al., 2001; Mishra and McConaughy, 1999, etc).

The reason to explain this circumstance is introduced in previous content. To briefly summarize, the FBs in China prefer debt financing rather than equity financing. Two reasons are brought to this phenomenon: 1, FBs in China prefer to hold large portion of ownership in order to avoid the decentralization of the control in ownership and management; 2, the outside investors do not have sufficient interests and trust to finance FBs.

Third, more ratios are compared to investigate the differences between NFBs and FBs regarding the financial structure. In first three results, the ratio of *capital expenditures/total assets* displays significant difference which are in favor of FBs. FBs also show their advantages in item of *percentage of pairs in favor of FBs* in all first four result. This result indicates that, FBs are more likely to invest in new infrastructure for future development, and is accordance with the view of Le Breton Miller and Miller (2006), who point out the long-term orientation of FBs. The ratio of *Sales per employee* shows a significant difference which is in favor of FBs in the fourth result. The ratio of *asset per* *employee* is in favor of NFBs in a significant level in third result

5.6 Brief conclusions of first four results

As evaluated above, mainly five conclusions can be achieved so far.

1. The first four results can certainly support the hypothesis 1. The evidences are more obviously shown by the first two comparisons, which are tested depending on the data of year 2007, because all related ratios display their favorable outcomes for FBs in significant levels.

2. The first four outcomes partially support hypothesis 2. In terms of *liquidity*, most of relevant ratios in first two outcomes (tests based on the data of year 2007) are clearly in favor of FBs at significant levels; and several relevant ratios in the third and fourth outcomes (tests based on the data of year 2007) show their preference for FBs.

Regard to another part of the evaluation of financial structure, the ratio of *capital expenditures/total assets* is in favor of FB at a significant level in the first three results. FBs enjoy better ratio on this financial indicator in majority of pairs in all first four outcomes. It can provide some evidence to the view of long-term orientation of FBs.

Therefore, the second consequence obtained from the first four results is that FBs have advantages in terms of liquidity and long-term orientation, which partially supports hypothesis 2 regarding the assumption of sounder financial structure of FBs.

3. In addition, FBs do not have any advantages, or even have an inferior position in terms of indebtedness, given the outcomes from the first four comparisons.

4. The significant differences appear more frequently in the outcomes based on the data of year 2007 than year 2008. When we look back to the first four results, it is easy to observe that, with respect to test the same comparisons, the significant differences shown on outcomes of the year 2007 are always greater than in the year 2008. Considering that 2008 is the year when economic crisis started worldwide, the economy of China had been negatively influenced. The economic growth rate of China began to slow down since the year 2008, especially starting from the fourth season (State Statistics Bureau of China). Therefore, firms' performance and financial situation may have been affected by this reason.

5. There is no huge difference between the comparison of NFBs vs. strong-controlled FBs and the comparison of NFBs vs. all FBs for the same year. As hypothesis 3 and 4 posed in this research, the level of family control would influence the performance and financial structures. That is to say, the stronger level of family control, the stronger performance and financial structure the FBs should have. That is why there is an expectation to find obvious differences between the first and second result, and the difference between the

third and fourth result, for the aim to prove the hypothesis 3 and 4.

The reason for this outcome may be derived from the classification of the different levels of the family businesses. In the case of China, the differences on the criteria for classifying the strong-controlled FBs and the weak-controlled FBs are not very clear compared to the case of Japan, for instance (Allouche et al., 2008).

Since there is no huge difference achieved between the two kinds of family businesses from the first four results as above explained, this research goes forward to test directly the comparisons of ratios between weak-controlled FBs and strong-controlled FBs.

5.7 The fifth outcome and discussion – weak control vs. strong control FBs, 2007

Table-5.5 is the outcomes from the comparison between weak-controlled FBs and strong-controlled FBs depending on the data of year 2007. There are several ratios which display the superior outcomes in favor of strong-controlled FBs in significant levels.

In terms of profitability, the ratios of *ROA* and *ROIC* are in favor of strong-controlled FBs, and the significant levels are both kept at <10%. In terms of liquidity, the ratios of *inventory turnover*, *cash and equivalence/current asset* and *cash flow/sales* are all shown as the better outcomes for strong-controlled FBs at significant levels; meanwhile strong-controlled FBs also enjoy better ratio in majority of pairs.

2007	Weak controlled FBs vs Strong controlled FBs					
	C versus B					
Ratios	n	Means			Significance	% of pairs in favor of strong controlled FBs
		Weak controlled FBs	Strong controlled FBs	Difference		
Return on Assets	41	5.89%	7.71%	1.82%	***<10%***	51.22%
Return on Equity per share	44	11.29%	18.08%	6.79%	11%	56.82%
Return on Invested Capital	44	7.32%	11.93%	4.61%	***<10%***	56.82%
Ebit	42	23.01	20.45	-2.56	50.60%	45.24%
Net Income	42	10.51	12.23	1.72	50.60%	45.24%
Pretax margin	43	10.40%	15.20%	4.80%	10.10%	51.16%
Ebit/Sales	40	17.24%	15.62%	-1.62%	48.40%	37.50%
Net Income / Sales	40	8.95%	11.06%	2.10%	27.30%	45.00%
Cost of goods/sales	43	71.54%	70.26%	-1.28%	66.50%	53.49%
Sales per employee	44	0.15	0.17	0.02	79.80%	36.36%
Total Debt/Tot Capital	40	71.64%	44.51%	-27.13%	***<5%***	60.00%
Long Term Debt / Total Capital	44	10.61%	10.62%	0.01%	99.70%	45.45%
Total Debt/Total Common equity	40	98.17%	62.37%	-35.79%	***<10%***	57.50%
Current Ratio	43	1.14%	1.39%	0.25%	10.90%	62.79%
Quick Ratio	43	0.60%	0.77%	0.17%	***<10%***	62.79%
Inventory turn-over	44	3.60%	5.34%	1.74%	***<10%***	54.55%
Cash and equivalence/current assets	43	27.31%	30.20%	2.89%	41.60%	51.16%
Cashflow/sales	44	9.12%	15.13%	6.01%	***<5%***	54.55%
Capital Expenditures / Total Assets	43	4.16%	10.22%	6.06%	***<1%***	69.77%
Asset per employee	44	0.34	0.49	0.16	52.60%	38.64%
R&D/sales	**shortage of data**					
Foreign assets/total Assets	**shortage of data**					
Foreign Sales/total Sales	**shortage of data**					
Dividend Payout	**shortage of data**					

Table-5.5: the outcomes of the comparison test between weak-controlled FBs (Type C) and strong-controlled FBs (Type B) based on the data of year 2007

In terms of indebtedness, strong-controlled FBs have the advantages in *long-term debt/total capital* and *total debt/total common equity* at significant levels. Strong-controlled FBs also hold better ratios in majority of pairs regarding these two financial indicators. Moreover, strong-controlled FBs are also better in *capital expenditures/total assets* at a significant level and with high occupation in pairs which have better ratios for them. There is no significant result in any index which is better for weak-controlled FBs.

5.8 The sixth outcome and discussion – weak control vs. strong control FBs, 2008

Table-5.6 is the outcomes from the comparison between weak-controlled FBs and strong-controlled FBs depending on the data of year 2008. Similar with the fifth result, a few ratios of financial indicators display the superior outcomes in favor of strong-controlled FBs at significant levels; only a few ratios, this time, however.

2008	Weak Controlled FBs vs Strong Controlled FBs					
	C versus B					
Ratios	n	Means			Significance	% of pairs in favor of strong controlled FBs
		Weak Controlled FBs	Strong Controlled FBs	Difference		
Return on Assets	43	3.42%	6.11%	2.69%	*<10%*	58.14%
Return on Equity per share	40	5.81%	11.60%	5.79%	*<10%*	55.00%
Return on Invested Capital	44	4.93%	7.91%	2.99%	19.40%	56.82%
Ebit	44	28.98	32.13	3.15	66.40%	54.55%
Net Income	44	15.47	18.51	3.03	57.20%	50.00%
Pretax margin	44	6.63%	9.10%	2.47%	67.20%	54.55%
Ebit/Sales	42	12.23%	14.59%	2.36%	49.70%	52.38%
Net Income / Sales	44	3.84%	5.77%	1.93%	72.00%	52.27%
Cost of goods/sales	44	67.40%	61.71%	-5.69%	25.90%	56.82%
Sales per employee	42	0.27	0.15	-0.13	**<5%**	30.95%
Total Debt/Total Capital	38	67.92%	47.14%	-20.77%	*<10%*	52.63%
Long Term Debt / Total Capital	25	19.33%	7.83%	-11.50%	*<5%*	72.00%
Total Debt/Total Common equity	44	63.61%	73.73%	10.12%	73.50%	50.00%
Current Ratio	43	1.39%	1.25%	-0.13%	49.70%	53.49%
Quick Ratio	44	0.77%	0.72%	-0.06%	72.10%	47.73%
Inventory turn-over	44	3.60%	3.62%	0.02%	97.70%	47.73%
Cash and equivalence/current assets	44	29.66%	26.35%	-3.31%	37.80%	45.45%
Cashflow/sales	44	9.15%	15.25%	6.09%	*<5%*	70.45%
Capital Expenditures / Total Assets	44	4.24%	6.88%	2.64%	*<5%*	61.36%
Asset per employee	44	0.89	0.74	-0.15	69.90%	34.09%
R&D/sales	shortage of data					
Foreign assets/total Assets	shortage of data					
Foreign Sales/total Sales	shortage of data					
Dividend Payout	shortage of data					

Table-5.6: the outcomes of the comparison test between weak-controlled FBs (Type C) and strong-controlled FBs (Type B) based on the data of year 2008

In terms of profitability, the ratios of *ROA* and *return on equity per share* are in favor of strong-controlled FBs, and the significant levels are both kept at <10%. In terms of liquidity, the ratio of *cash flow/sales* is in favor of strong-controlled FBs at a significant level; meanwhile strong-controlled FBs also enjoy better ratio in majority of pairs.

In terms of indebtedness, strong-controlled FBs have the advantages in *long-term debt/total capital* and *total debt/total capital* at significant levels. Strong-controlled FBs also hold better ratios in majority of pairs regarding these two financial indicators. In addition, strong-controlled FBs are also better in *capital expenditures/total assets* and *sales per employee* at significant levels and with high occupation in pairs which have better indexes for them. There is no significant result in any index which is better off for weak-controlled FBs.

5.9 Brief summary concerning the fifth and sixth result

As aforementioned, there have no obvious differences regarding the comparison results between NFBs and strong-controlled FBs and between NFBs and all FBs for year 2007 and 2008. In order to test the Hypothesis 3 and 4, that is, stronger family control should lead to stronger outcomes regarding both performance and financial structure, two more tests have been conducted to compare directly strong-controlled FBs and weak-controlled FBs.

Within totally 20 valid financial ratios, there are 8 indexes which show the significant differences regarding the comparison for the year 2007, and 7 display significant differences for the year 2008. Although the valid outcomes are not very sufficient, these significant outcomes are all in favor of strong-controlled FBs, and none of them lean to weak-controlled FBs. This consequence can more or less provide the evidences that strong-controlled FBs enjoy superior performance and financial structure than weak-controlled FBs.

It is worth noting that strong-controlled FBs also show apparent advantages in terms of indebtedness for both two years. That is to say, strong-controlled FBs have more cautious attitude on debt than do weak-controlled FBs in China, as they are not willing to take the risk of bankruptcy and the loss of control (Gilson, 1990; Nam, Ottoo and Thornton, 2003). It is also in accordance with Gonzales et al. (2012) who find that debt levels are higher when families only involve in ownership, but that debt levels are lower when families involve in both ownership and management.

5.10 Brief conclusion regarding the fifth and sixth comparisons

Two conclusions can be reached from the fifth and sixth comparisons: 1, Strong-controlled FBs have superior performance than weak-controlled FBs, in line with hypothesis 3; 2, Strong-controlled FBs have stronger financial structure than weak-controlled FBs, and that is accordance with hypothesis 4.

However, two points should be noticed here. The first one is that there are a limited number of matched-pairs as valid for the fifth and sixth comparisons; and the second one is that there are less valid outcomes to prove the hypothesis 3 and 4, compared with the numbers of valid outcomes to prove hypothesis 1 and 2.

Chapter 6. General conclusion of the dissertation

Conclusion général de la thèse

6.1 Main reviews of this research

This research is mainly based on six comparisons between Non-FBs and FBs and between weak-controlled FBs and strong-controlled FBs, on the data of the years 2007 and 2008. We focused on the whole listed companies in mainland China as the basement of the samples. We sorted out all listed companies into 65 industries. It is to the best of our knowledge the most elaborate work undertaken on listed companies in China.

Among 1591 listed companies in China (based on the information issued in 2008), 297 valid matched-pairs have been established to carry out the tests. 20 financial indicators have been selected from an authoritative database, *Thomson One Banker*, in order to measure the

Cette recherche s'appuyant sur des données de 2007 et 2008 effectue essentiellement six comparaisons entre des entreprises non familiales et des entreprises familiales ainsi qu'entre des entreprises familiales faiblement contrôlées et des entreprises familiales fortement contrôlées. Pour établir notre échantillon, nous avons retenu l'ensemble des entreprises cotées en Chine continentale. Nous les avons réparties en 65 secteurs d'activité, ce qui représente à notre connaissance le travail de classification le plus élaboré concernant les entreprises chinoises cotées.

Parmi les 1591 entreprises cotées en Chine (sur la base des données de 2008), 297 paires appariées valides relevant indexes. Paired-sample T test, frequency test and Wilcoxon test have been operated for the comparisons. In addition, invalid and unvalued samples and data have been extracted through the observation while running the tests.

Therefore, the primary value of this research is that it does a rigorous and convincing comparative test on the performance and financial structure of family and non-family businesses in Mainland China with the most completed samples and data, to the best of our knowledge.

Furthermore, we hope that this research will provide some evidences about the specific advantages of FBs, and show the findings to the owning families themselves, to the public, especially to outside investors and financial institutions, as unfortunately a

ont été établies pour réaliser la recherche. Afin de mesurer les catégories pertinentes, nous avons sélectionné 20 indicateurs financiers fournis par une base de données faisant autorité, celle de Thomson Banker. Pour réaliser la comparaison entre les entreprises sélectionnées, nous avons effectué le « paired-sample T test », le test de fréquence ainsi que le test de Wilcoxon. De plus, les échantillons et les données erronés ou sans réel intérêt ont été éliminés avant de réaliser les tests.

Ainsi, la valeur principale de notre étude réside dans l'utilisation des outils d'analyse les plus rigoureuse et convaincants pour étudier la performance et la structure financière des entreprises familiales en Chine continentale. D'autre part, nous nous sommes base sur l'échantillon d'entreprises le plus complet, strongly negative impression prevails in the public around FBs in China.

In addition, for those foreign investors or organizations which plan to look for a partner or investment project in China, whether the firm is family-owned should be considered. International alliance or cooperation is more complicated than domestic ones. Nowadays, the information transparency in capital market and protection mechanisms for investors still brings a lot of controversies and denouncements in China. There is a large gap for making progress on the monitoring system and the relevant regulations. As a consequence, information asymmetry and differences in institutional environment between Chinese firms and outside investors, especially foreign investors or partners, may

tout du moins en était-il au moment où débutait l'étude. De plus, nous espérons que ce travail a pu conforter les preuves que les entreprises familiales présentent des atouts spécifiques et qu'il contribuera a éclairer les différents acteurs, à commencer par les entreprises familiales elles mêmes, ainsi que les investisseurs et les institutions financières. De même, nous espérons participer à l'enrichissement du débat public en Chine où il existe toujours un certain nombre de préjugés négatifs à l'égard des entreprises familiales.

En outre, pour les institutions et investisseurs étrangers qui recherchent un partenaire ou projettent d'investir en Chine, la question de la nature familiale des entreprises devrait être prise en considération. Les alliances ou les coopérations internationales sont plus complexes que lead to many complications. Looking for a FB as a partner in China, particularly when the foreign investor is a FB itself, may be a promising project, as visibly same kind of mechanism are at work, whatever the country.

celles réalisées au niveau national. De nos jours, la transparence de l'information sur les marchés financiers ainsi que les mécanismes de protection des investisseurs font encore régulièrement l’objet de controverses et de dénonciations en Chine. Un grand pas reste à franchir pour réaliser des progrès sur les systèmes de contrôle et la mise en place d’une règlementation pertinente. Par conséquent, l'asymétrie d'information et l’appartenance à des environnements institutionnels différents peut entrainer de nombreuses complications entre les familles propriétaires et les investisseurs extérieurs, et plus particulièrement avec les investisseurs ou les partenaires étrangers.

6.2 Main findings of this research

Overall, this research finds significant differences regarding the performance and financial structure between family businesses and non-family businesses in China.

Based on the data of the two years 2007 and 2008, it shows that FBs have superior performance than non-FBs in China. This finding is in accordance with the similar researches on developed economies. It supports those assumptions and findings about FBs derived from agency theory (Fama and Jensen, 1983), stewardship theory (Chrisman et al., 2007), transaction cost theory (Lazerson, 1995), the resourced based view (Habbershon and William, 1999) , and the influence of trust and altruism view of Carney (2005), etc.

Principaux résultats de la recherche

Dans l'ensemble, cette recherche ré-vèle les différences significatives existant entre les entreprises familia-les et non familiales en Chine, con-cernant leur structure financière et leur performance.

Sur la base des données des deux années, nous avons pu montrer qu'-en Chine, les entrepr-ises familiales ont des performances supérieures à celles des entreprises non-familiales. Ce résultat est en accord avec les recherches simil-aires menées sur les organisations dans les pays développés et corro-bore les hypoth-èses et résultats sur les entreprises familiales révélés par la théorie de l'agence (Fama et Jen-sen, 1983), la théorie de l'intendance (Chrisman et al., 2007), la théorie des coûts de transaction (Lazerson, 1995) l'app-roche par les ressources (Habbersh-

The research also provides the evidence that, FBs have better financial situation than non-FBs in China in terms of liquidity. This finding supports the view of a greater ability of FBs to meet their short-term commitments (Allouche et al., 2008), and the careful management of FBs on their current liabilities (Mishra and McConaughy, 1999). In addition, this research also proves that FBs take a long-term view on business decisions (Cadbury, 2000).

Regarding indebtedness, which is another important dimension for evaluating a firm’s financial situation, this research does not find any significant differences between non-FBs and FBs. Moreover, FBs even have some disadvantages in percentage of pairs which have better ratios. This outcome is not in line with the similar researches

on & William, 1999), l'approche par l’influence de la confiance et de l'altruisme de Carney (2005), etc.

La recherche apporte également la preuve qu’en termes de liquidité, les entreprises familiales ont une meill-eure situation financière que les ent-reprises non-familiales en Chine. Cette constatation étaye l’idée que les entreprises familiales ont une plus grande capacité de réponse à leurs engagements à court terme (Allouche et al., 2008), ainsi qu’une gestion attentive de leurs passifs courants (Mishra et McConaughy, 1999). En outre, cette recherche prouve également que les entre-prises familiales adoptent une vision à long terme sur les décisions commerciales (Cadbury, 2000).

En ce qui concerne l'endettement, qui est un autre aspect important po-ur l’évaluation de la situation financonducted in developed countries. As aforementioned, the FBs in China prefer debt financing rather than equity financing. Two reasons are brought to this consequence: 1, FBs in China prefer to hold large portion of ownership in order to avoid the decentralization of the control in ownership and management; 2, the outside investors do not have sufficient interests and trust to finance FBs in china. This result is consistent with the findings of Gonzalez et al. (2012) that: risk aversion pushes firms to be less dependent on debt, but the needs to finance growth without losing family control makes FBs to bear higher debt levels.

Fortunately, with limited number of matched-pairs, this research also finds a better performance and financial structure for strong-controlled FBs. This finding is in

cière d'une entreprise, cette recherche n'a pas trouvé de différences significatives entre les entreprises familiales et non-familiales. Qui plus est, les entreprises familiales ont même un pourcentage moins important de paires ayant les meilleurs ratios. Ce résultat n'est pas en accord avec les recherches comparables menées dans les pays développés. Comme il a été mentionné précédemment, les entreprises familiales en Chine préfèrent le financement par emprunt plutôt que le financement par capitaux propres. Deux causes peuvent être avancées à l’appui de ce constat: premièrement, les entreprises familiales en Chine préfèrent détenir une grande partie de la propriété afin d'éviter la décentralisation du contrôle de la propriété et de la gestion;deuxièmement,les investisseurs étrangers n'ont pas suffisamment d'intérêts, ni n’éprouvent suffisamment de confiance pour vouloir fiaccordance with the case of Japan (Allouche et al., 2008). It can provide some evidence to the assumption that, stronger family control leads to stronger outcomes with regard to both performance and financial structure.

nancer des entreprises familiales en Chine. Ce résultat est en cohérence avec les travaux de Gonzalez et al. (2012) qui avancent que l'aversion au risque pousse les entreprises à êt-re moins dépendantes à la dette, mais que le besoin de financer la crois-sance sans perdre le contrôle oblige les entreprises familiales à faire face à des niveaux d'endettement plus élevés.

Heureusement, avec un nombre de paires appariées limité, cette recher-che montre la supériorité des entrep-rises à fort contrôle familial en ter-mes de performance et de structure financière. Ce résultat est en accord avec le cas du Japon (Allouche et al., 2008). Cela renfor-ce l'hypothèse selon laquelle un pl-us grand contrôle familial engendre des résultats plus solides à la fois en termes de performance et de structure financière

6.3 Limitation and future study

We do not use first-hand information to distinguish FBs and non-FBs from all listed companies in China, as well as the different kinds of FBs. It is hard to collect completed information about the background of main shareholders and the connection among them, for instance. That is the reason why we have to seek help from some authoritative financial publication on this point.

Compared to other cases, including the one of Japan (Allouche et al., 2008), there are no clear distinctions between the criteria of strong-controlled FBs and weak-controlled FBs in this research. The reason may derive from the classification method adopted in this research, although we cannot find other better solution by the time.

Les limites des travaux et les prolongements de recherche

Nous n'utilisons pas les informations de première main pour distinguer les entreprises familiales et non-familiales parmi toutes les entreprises cotées en Chine, ainsi en est-il pour les différents types d’entreprises familiales. Par exemple, il est difficile de recueillir des informations exhaustives sur l’origine des principaux actionnaires ainsi que sur les liens qui les unissent. C'est la raison pour laquelle nous avons dû recourir aux publications financières faisant autorité en la matière.

Comparé à d’autres recherches qui comprennent le cas de Japon (Allouche et al., 2008), nous n’avons pas trouvé de distinctions importantes sur le critère du degré de contrôle familial des entreprises.

In this research, the paired-samples are built with two controlled variables: the firm's size and industry classification. In other words, we try to compare FBs with non-FBs which are in same profile, in order to the tests results to be determined by the very characteristic of being or not being a FB. Some potential variables such as the age of the firm, the cross-generational involvement however are also suggested to conduct in further performance comparison studies.

However, as already mentioned, most FBs in China are still controlled by the first generation, since private enterprises are actually sprouted from 1980s due to the reform-open policy adopted by Deng Xiaoping at the end of 1970s. The capital market in China has been established in the middle of

L'explication pourrait venir de la méthode de classification adoptée dans cette recherche, mais, pour le moment, il nous est difficile trouver une meilleure solution.

Dans cette recherche, les échantillons appariés sont construits avec deux variables contrôlées : la taille de l'entreprise d'une part, et le secteur d'activité d'autre part. C'est-à-dire que nous essayons de comparer les entreprises familiales avec les entreprises non-familiales ayant un même profil, pour être sûr des résultats des tests. D'autres variables potentielles, tels que l'âge de l'entreprise ou encore la participation intergénérationnelle, sont recommandées pour les études de comparaison des performances.

Cependant, comme il a été dit au début, la plupart des entreprises familiales en Chine sont encore con-

1990s, and most private firms went to stock market after 2000. It means that most of listed companies, as the samples in this research, are still very young. According to the report of ForbesChina, only 7% of the family owned listed companies have been taken over by the second generation in mainland China. That is why the age of the companies and multi-generational involvement are not considered as a variable in the investigation of this research.

In addition, according to ForbesChina, there are 182 FBs from mainland China which have registered in Hong Kong Stock Market until the year 2011. Among them, 139 firms are controlled by family managers, while the others are controlled by outside professional managers. The researches on these FBs would be interesting. The subjects would

trôlées par la première génération, puisque les entreprises privées ne sont réellement apparues qu'à partir des années 1980 en raison de la politique réformiste d'ouverture adoptée par Deng Xiaoping à la fin des années 1970. Le marché financier s'est établi en Chine au milieu des années 1990 et la plupart des entreprises privées ont intégré le marché boursier après 2000. Cela signifie que la plupart des sociétés cotées, comme celles utilisées dans cette recherche, sont encore très jeunes. Selon le rapport de ForbesChina, seulement 7% des entreprises familiales cotées en Chine continentale ont été reprises par la seconde génération. C'est pourquoi l'âge des entreprises et la participation multi-générationnelle ne sont pas considérés comme des variables dans cette recherche.

En outre, selon ForbesChina, jusconcern their performance study, and the differences between these FBs registered in Hong Kong and FBs registered in mainland China from a strategic management perspective, due to the differences in institutional and market systems between the two areas.

For future studies, we could further test the theory of Demsetz and Lehn (1985), that is, the ownership structure is endogenously determined to maximize its shareholders' interest. In contrast, Morch, Shlerfer, and Vishny (1988) and McConnell and Servaes (1990) report a different finding. Further research could be concerned on these arguments in a Chinese context. The test could be conducted on whether there is the relationship between different ownership structure and the value of the firms which are controlled by a certain

qu'en 2011, on compte 182 entreprises familiales de Chine continentale ayant été enregistrées sur les marchés boursiers de Hong Kong. Parmi celles-ci, 139 entreprises sont contrôlées par les gestionnaires de la famille, tandis que les autres sont contrôlées par des gestionnaires professionnels extérieurs. Réaliser des recherches sur ces entreprises familiales serait intéressant. Une direction pour ce travail pourrait consister à étudier la performance de ces entreprises en soulignant les différences du point de vue du management stratégique entre ces entreprises familiales enregistrées à Hong Kong et les entreprises familiales de Chine continentale, en raison des différences institutionnelles et de systèmes des marchés entre ces deux zones géographiques.

Pour les études futures, nous pourrions continuer à tester la théorie family in China. Whether the diverse percentage of ownership hold by family influences firm’s performance might be investigated.

Moreover, the board configuration is another potential factor which may influence the performance of family businesses. Board composition and board size may be affected by goal alignment between owners and managers (Jaskiewicz and Klein, 2007). Then whether the size of board, the percentage of outside directors has the certain relationship with the firm performance could be taken into account.

Last but not least, the future researches may also compare the differences between more and less successful family businesses from a strategic management perspective, as Sharma et al., (1997) suggested.

proposée par Demsetz et Lehn (1985), selon laquelle la structure de propriété est déterminée de façon endogène pour maximiser l'intérêt de ses actionnaires. En revanche, Morch, Shlerfer, et Vishny (1988) et McConnell et Servaes (1990) mettent en avant des résultats divergents. D'autres recherches pourraient étudier la contradiction de ces résultats en contexte chinois. Un travail pourrait être réalisé sur l'existence en Chine d’un lien entre la valeur d’une structure ayant différents actionnaires et la valeur d’une entreprise contrôlée par une seule famille. Cela reviendrait à se poser la question de savoir si le pourcentage de contrôle détenu par une famille influence la performance de l’entreprise.

En outre, la configuration de la direction est un autre facteur potentiel pouvant influer sur la performance des entreprises familiales. La composition de l’équipe dirigeante et la taille de celle-ci peuvent être affectées par l'alignement des objectifs des actionnaires et des gestionnaires (Jaskiewicz et Klein, 2007). Ainsi, nous pourrions étudier le lien entre la taille de l’équipe dirigeante ou le pourcentage de membres dirigeants provenant de l’extérieur et la performance de l’entreprise.

Dernier point, mais non des moindres, les futures recherches pourraient également établir une comparaison, du point de vue de la gestion stratégique, entre les entreprises familiales réussissant le mieux et celles réussissant le moins bien, comme cela a pu être suggéré par Sharma et al., (1997).

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List of Figure and Histograms

List of Tables

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