Introduction to The role of context in understanding Asian family firms

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Introduction to the Role of Context in Understanding Asian Family Firms

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1. Introduction

The 21st Century has been dubbed as the Asian Century given the rise and anticipated dominance of Asian politics and culture. While the countries within the region have generally experienced rapid economic growth since the post-world war two period (Economist, 2010), considerable heterogeneity nevertheless remains with respect to institutional and legal arrangements, cultural practices and levels of economic development across the countries (Sharma and Chua, 2013). More importantly, as specific types of social and economic actors, families, their skills and abilities along with the unique capital they bring, constitute a significant portion of entrepreneurial activity in the region (Basco, 2015; Bjuggren, et al., 2011; IFERA, 2003).

Kenyon-Rouvinez and Ward (2005) reported that private family enterprises can constitute nearly 65% of private sector assets in India, while Wang et al. (2014) claimed they constitute close to 90% in China. Recent statistics have also shown family enterprises to constitute anywhere between 35 to 66% of listed companies throughout Southeast Asia (AFBR, 2011). This suggests that family enterprises are the main engine room for much of the economic growth in the Asia. For instance, family enterprises, such as the ethnic Chinese family business (Ahlstrom et al., 2006) are said to have contributed significantly to economic, political and even social development of the region (Chua and Chrisman, 2010). We therefore believe that the Asia region in general provides an interesting context to examine the strategies and behaviours of family enterprises.

The past 30 years have seen a dramatic increase in scholarly interest in family enterprise research. While the field has made great progress over this period, many issues still remain (Sharma et al., 2012), one of which is especially pertinent to this Special Issue. In their comprehensive bibliographic analysis De Massis et al. (2012) found that approximately 73%
of studies examined focused on the experiences of American and European family enterprises. Such evidence alludes to a Western biasness in our current stock knowledge regarding family enterprises and their behaviors (Sharma and Chua, 2013). Consequently, several authors have begun to call for a deeper understanding of family business strategies and behaviours in underrepresented regions such as Asia (Sharma and Chua, 2013) and in particular China (Chua and Chrisman, 2010; Li et al., 2015).

By focusing on the Asia region, we believe that scholars will be able to gain a deeper appreciation of the contextual nuances of region and how they influence the strategies and behaviours of family enterprises within it (Wright et al., 2014). The current Special Issue of the International Journal of Management Practice (IJMP) entitled ‘The Role of Context in Understanding Asian Family Firms’ therefore represents a timely addition to deepening our understanding of the Asian context and how it influences family enterprises. Examining family enterprises from China, Hong-Kong, Malaysia and Pakistan, the papers in the Special Issue provide an important addition to existing literature about the region (see Chua and Chrisman, 2010), by providing a broader geographic scope of coverage. Additionally, we hope that this Special Issue will stimulate future researchers to also incorporate context as part of their analysis of Asian family enterprises.

2. The Asian Context and Family Enterprises

Family enterprises don’t exist in a vacuum but rather in a particular context and there is currently considerably demand for studies that take context into account (Gedajlovic et al., 2012). Wright et al., 2014 consider there to be three important contexts namely institutional, organizational and temporal. The institutional context can include both country- and industry-level contexts. The country-level context can include the legislative, political, regulatory, and economic environments. Carney et al. (2014) compare the legal systems in Germany, France,
Hong Kong SAR, and the United States and explore how inheritance law can affect the succession processes and longevity in family businesses. The industry-level context includes the industry structure, industry dynamics, industry performance, and corporate control. A recent study looking at the effect of industry dynamics on family firm innovation reveals that family firms in high velocity environments, those that are unstable and subjected to disruptive change, will require different set of resources and capabilities to innovate and compete compared to family firms in low velocity environments, those that are more stable and predictable (Miller et al., 2015).

The organizational context of the firm can include firm- and family-level contexts. The firm-level context includes firm, financial, governance, and ownership characteristics. Family firm boards are one of the most important aspects of governance and there is considerable heterogeneity across family firms in the composition of these boards. Some family firms have family-only boards and some have professional boards (Bammens, et al., 2008; Goel et al., 2013). A larger proportion of females on the board, greater stability, and greater experience of the directors have been shown to be related to fewer insolvencies among family firms, in other words such firm survive for longer (Wilson et al., 2013). The family-level context can also include family characteristics such as family structure, family goals, founder dominance, next generation, culture and cohesiveness. In particular, family enterprise non-economic goals such as family harmony, status, and family/firm linked identity have been shown to be important in family firms and that these help to explain family firm behaviours and decision making (Chrisman et al., 2012).

Finally, the temporal context refers primarily the transfer of ownership of the family firm and is critical to firm survival. It can include transgenerational succession (Chua, et al., 1999; Le Breton-Miller et al., 2004) but it can also include the survival of the firm as an entity that is no longer a family firm (Scholes et al., 2007; Colli, 2012).
The heterogeneous and emerging nature of the Asia region makes it ideal for considering the effects of the institutional, organizational and temporal contexts influence on family enterprises (Globerman et al., 2011; Sharma and Chua, 2013). Historically, the Asian region has undergone several distinct phases; namely the Colonial (pre-1945), Nationalisation and Independence (1950-70’s), the Economic miracle (1970-1990s) and the Post-Asian financial (1996+) phase. Each one of these distinct phases has left a distinct impression on the economic, legal and regulatory and socio-cultural structures of the region (Sharma and Chua, 2013). While similarities may exist across nations within the region, each country possesses its own unique history, culture, and socio-political environment. For example, within the region the economic and political institutions can range from free market and democratic societies like Singapore, Japan, India and Thailand to highly centralized and planned systems such as those in China and Vietnam.

Such variations are not only visible across nations, but can also be observed within nations such as China or India. In fact, Gedajlovic et al. (2012) suggest that regional differences in China’s institutional development may attenuate the behavior of the Chinese family enterprise. Particular variations can be evident in socio-cultural factors such culture and values. Researchers have stressed the importance of Chinese culture and Confucianism as means for explaining for unique business and social systems found around the region (Ahlstrom et al. 2010; Li and Liang, 2015). Such observations tend to overlook the existence of other types of cultures such as Malay, Khmer and Hindu, as well as religions such as Islam and Buddhism, which in themselves can lead to differing political-legal and economic institutional profiles.

Scholars need to also recognize that the Asian context is constantly going through rapid social, political, legal and economic change. China itself provides a vivid example of such changes in short space of time and how they can affect family enterprises. The past 30
years have seen a marked shift in China’s economy from centrally planned one to an increasingly market orientated one (Huang, 2011). This in itself has been accompanied through a strengthening of law enforcement and market orderliness and the abandonment of the One-child policy recently (Chua and Chrisman, 2010; Li et al., 2015; Xinhua 2015). Hence, family firm strategies that once depended heavily on social network or ‘guanxi’ may begin to lose their importance with continued institutional developments in China. Changes are not only occurring institutionally, but also across and within society. With more and more individuals from the region being educated abroad and international work experience, traditional values guiding family business behaviours and practices may also begin to be challenged (Deng, 2015; Lin and Hu, 2007).

The unique contextual circumstance found throughout the Asian region differs from other regions such Europe or North America. Yet the specific challenges faced by Asian family enterprises such as goals and values, governance systems and structures, intergenerational continuity, intra-family conflicts, growth and development remain largely similar to those faced by others around the world. Nevertheless, how Asian family enterprises perceive and ultimately respond to the above mentioned challenges is likely to be moderated by the uniqueness of the Asian context.

3. The Papers in this Special Issue

Through a range of local and international activities and initiatives, the International Family Enterprise Research Academy (IFERA), serves as an important vehicle for the growth and promotion of family business scholarship. In 2015 IFERA held its annual conference in Hamburg, Germany, attracting a total of 54 full and 59 discussion papers over 33 sessions. For the first time, IFERA organized a special session entitled ‘Family Firms in East Asia’ as means of giving emerging scholars in the area an opportunity to present and discuss their
recent works. Some of the revised manuscripts from this special session are presented in this special issue. All five papers are related in that they address key issues underlying the Asian family enterprises and how the Asian context influences their behaviours and strategies. An overview of each of these papers is given below.

Intergenerational familial and economic continuity remains a key goal for many Asian family enterprises (Sharma and Chua, 2013). This crucial process can often be complicated by a number of social-cultural and legal factors (Carney et al., 2014). Incorporating a socio-cultural perspective, Zheng, Wan and Wong ask the question of why it is difficult for Chinese family enterprises to avoid the problem of internal division. Using a single in-depth case study of Yung Kee from Hong Kong, they explain how Confucian cultural practices can lead to infighting between the different branches and generations of a family, leading ultimately to the division of familial wealth. They also point out that the same Confucian cultural forces which divide the family enterprises can also create positive social and psychological pressures, thereby breeding competitiveness and entrepreneurship among future generations. Broadly, Zheng, Wan and Wong’s study serves as a timely example of how entrepreneurial families are created and destroyed in Asian societies (Nordqvist and Melin, 2010).

Ramos, Buck and Ong’s paper explores the time old question of how family ownership and involvement influences family enterprise performance. Their Systematic-Literature-Review (SLR) of 31 leading articles in the field represents one of the first attempts to focus specifically on the experiences of family firms in the Chinese context. Drawing on the Wright et al’s (2014) characterization of context, they situate their findings with the organisational and institutional context of China. They find that the current research into the performance of Chinese family enterprises remains limited and offers little knowledge regarding how the Chinese context per se influences their performance. They also suggest that the influence of the Chinese context is multi-faceted and complex, and that the Chinese
socio-cultural values may significantly moderate the family ownership and involvement – performance relationship.

Ung, Brahmana and Puah’s paper focuses on the organisational and temporal context by examining corporate governance decisions on the performance of Malaysian publically listed family. They examine whether a retrenchment strategy will really boost the performance of 443 Malaysia listed family enterprises, prior to, during and after the Global Financial Crisis of 2008-2009. They find that the effects of a retrenchment strategy can vary depending on whether financial or accounting performance based measures are used. More importantly though, their study provides further insights into the need to examine the board-level decisions of family enterprises during times of national and international economic down-turn and as firms evolve (Amann and Jaussaud, 2012; Wilson et al., 2013).

Man, Mustafa and Fang’s paper explores the succession process in two Chinese family enterprises. Using institutional theory as a framework, they examine the effects of China’s One-child policy on the process. Their findings show that in weak institutional environments such as China, regulatory and normative factors (eg Confucian culture) may force founders into decisions regarding the future of their firms which may or may not be optimal for them. Also their study reconfirms the importance of Confucian factors, especially the sense of obligation and good ‘guanxi’ which is created from being a part of a family unit and enterprise, during the succession process. Examining the organisational and socio-cultural factors simultaneously during the succession process, Man, Mustafa and Fang, provide a multi-level and complex picture of the succession process (Wright et al., 2014).

Finally, Seaman, Bent and Unis’s conceptual paper looks at the issues associated with migrant cultural values and norms across generations and how they affect the development, survival and success of Pakistani family enterprises in Scotland. A unique aspect of their paper is that not only do they tackle cultural issues across the temporal
dimension (eg time), but they also explore the spatial aspects of culture and familial values/traditions. Specifically, they argue that South Asian culture can be ‘transplanted’ and co-exist within non-Asian cultural context such as United Kingdom.

4. Moving Asian Family Enterprise Research Forward

The five papers featured in this Special Issue contribute towards the scholarly discussion and understanding of how the Asian context influences the behavior and performances of Asian family enterprises. What is particular interesting from the five papers is the complex and subtle manner in which the Asian context influences family enterprises. Specifically, this speaks of the need to simultaneously take into account the organisational, institutional and temporal contexts, as well as their cross-level interactions if we are to fully appreciate and understand Asian family enterprises. As means of guiding future researchers to think more holistically about the Asian context, we propose the following conceptual model1.

With regards to the family firm or organisational context, much of the current research on Asian family enterprises has been dominated by issues related to either corporate governance and/or succession (Sharma and Chua, 2013). However, as Asian family enterprises rapidly develop, they are bound to face a number of pressing challenges. One of those challenges relates specifically to the management of their work-force. Drawing on the concept of psychological ownership Mustafa et al. (2015) demonstrated how non-family employees and their extra-role behaviours can be a particular source of competitive advantage for many small family firms in Southeast Asia. Building on this line of inquiry, we encourage future researchers in the area to better understand the specific organisational

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1 Note: In our conceptual model we have included double ended arrows between the institutional and family contexts, suggesting that the institutional context can influence the family business context and vice-versa. We believe this assumption is very important in the Asian context, as research has shown family enterprise such as those of the Ethnic Chinese and family business groups in Indonesia and India, to significantly influence the informal and formal institutions throughout the region (see Ahlstrom Chen and Yeh, 2010).
practices and conditions under which such pro-organisational attitudes and behaviours emerge.

Similarly, Habbershon and Williams (1999) introduced the construct of “familiness” to family business research to describe the idiosyncratic resources created as a result of family involvement in business. We believe that the construct has significant implications for understanding how and why Asian family enterprises have endured and developed in what sometimes can be described as challenging institutional contexts. Su and Carney (2013) showed how family firms in China use their ‘guanxi’ to gain access lower interest rates and the collateral required in supporting the loan. Hence, a worth-while avenue of future research could be to explore how Asian family enterprises acquire, develop and exploit their human, social and financial resources.

Secondly, we urge future researchers to make greater inquiries into how the unique socio-cultural practices and values of the region inform and shape family enterprises attitudes, behaviours and ultimately strategies (eg Li et al., 2015). Future researchers may wish to examine whether certain cultural values are more likely to spur or hinder the development of entrepreneurial families and their enterprises (Fang et al., 2013) and whether they change between generations. Additionally, future scholars may also wish to consider how legal and regulatory requirements influence or moderate family firms behaviours and strategies. For instance, Lu et al. (2015) recently showed that localized regulatory requirements in China may force Chinese family firms to internationalize prematurely. Similarly, Lien et al. (2015) found that institutional reforms in Taiwan have reduced family firm dependence on family governance and eliminate the negative effects on performance exerted by a controlling family’s pyramidal ownership structure. Broadly, such findings suggest that more attention needs to be paid to the regulatory requirements and reforms and how they influence Asian family enterprises strategy formulation, business practices and
ultimately performance. In this respect, comparative examinations of family firm behaviour
and strategies across a range of regulatory environments is highly warranted.

Particular attention needs to be paid to understanding how Confucian or other cultural
values alter family firms’ long-term orientation or their Socio-emotional wealth endowments
(Gómez-Mejía et al., 2007; Kim and Gao, 2013) may provide valuable insights into ‘what it
means’ to be a family enterprise in the Asian context. The field of family business continues
to search for a definition of what it means to be a family enterprise (Shanker and Astrachan,
1996). Consequently, several definitions have emerged, but the simplest definition centers on
the unique involvement of family in the business and their ability exert considerable financial
and/or managerial control over the business (Ward and Aronoff, 1990). Building onto such
definitions, scholars have also suggested that a family enterprise could be differentiated from
non-family enterprises by distinguishing features other than family ownership and
involvement such as particularism (Carney, 2005), a distinctive long-term vision (Chua et al.,
1999), unique resource endowments (Sirmon and Hitt, 2003; Habbershon et al., 2003),
family-centered non-economic goals (Chrisman et al., 2012; Gómez-Mejia et al., 2007) and
the intention for intra-family succession (Chrisman et al., 2004).

While these approaches have led to some significant developments in the field, we
believe that they have lacked sufficient contextualization (e.g. social-cultural and
institutional) which can have an impact on the definition of a family enterprise (Chua and
Chrisman, 2010). Such contextualization is highly necessary in order to understand what an
Asian family enterprise is and whether or not it is different from non-family enterprise or
family enterprises from other regions (e.g. Europe or North America).

For example, China’s long-standing one-child policy may place an inherent limitation on
the number of generations that can be involved in the family enterprise. Hence differentiating
family and non-family enterprise based on intention for transgenerational succession may be
particularly difficult in such contexts (Chua and Chrisman, 2010; Li et al., 2015). Similarly, distinguishing family enterprises based solely on ownership status may also prove challenging in the Asian region because the effects measured could simply be a reflection of concentrated ownership and which could be further complicated by institutional and regulatory requirements throughout the region. For example, in countries like Malaysia, there are legal restrictions regarding the extent of ownership which requires a certain amount of equity is held by particular ethnic or cultural groups (Tam and Tan, 2007). Hence situations may occur wherein multiple un-related families can lay claim to ownership of an enterprise.

Therefore, what means to be a ‘family’ may have very different connotations in the Asian context to that of other contexts. For instance, recent evidence by Santiago (2011) and Mehrotra et al. (2011) show that the notion of family in Asian family enterprises can go beyond simply kin or blood association, and may also include in-laws or adopted off-spring. Such evidence points to the need to better define family more clearly or distinguish families in terms of structure and composition. The preceding discussion suggests that existing criteria which help to define a family firm in the developed economies needs to be broadened for the Asian context. Additional criteria are needed and should be developed by scholars in order to differentiate family from non-family enterprise. Therefore, and in line with Chrisman et al. (2012), we urge future scholars to adopt a multi-level characterization of Asian family enterprises, and especially one which takes into account the uniqueness of the Asian context (Chua and Chrisman, 2010; Hoy and Pu, 2012). We believe that such a multi-level characterization will give scholars sufficient scope in defining family enterprises in the region by reflecting on the contextual realities of the region, while also discriminating among the different behaviours and performance of family enterprises, as well as between family and non-family enterprises (Chua and Chrisman, 2010).
Finally, Sharma et al. (2013) have recently urged scholars to take more into consideration the temporal or time dimension with respect to family enterprise research. The temporal context is a unique one to family business research because of the enduring presence of family and multiple generations within the family firm. Moreover, the temporal dimension also has particular significance to the Asian region. Asia as a whole is changing, and doing so at a more rapid pace than many other regions around the world. Time in itself has brought many changes to the region, in particular to those related to generational values and attitudes. In fact, generational differences can lead to identity struggles among off-spring thus affecting the succession process through changes in attitudes and values. Additionally, Asian firm structures and process, just like the regional context, are also undergoing rapid change as they develop. Hence we urge future researchers to take a more longitudinal approach in order to incorporate the temporal context when studying Asian family enterprises. Doing so we believe, may give greater insights into roles of governance structures and organisational practices on family firm survival over time (Wilson, Wright and Scholes, 2013).

6. References


Asian Family Businesses Report (AFBR) (2011) ‘Asia is China, India, South Korea, Hong Kong, Taiwan, Thailand, the Philippines, Malaysia, Singapore, and Indonesia’, Credit Suisse Emerging Market Research Institute.


Figure 1: Conceptual Model of Asian Contexts Influence on Family Enterprises