

# Working with Chinese Family Businesses

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For CUHK MBA Lunch Talk, April 12, 2012

## Outline

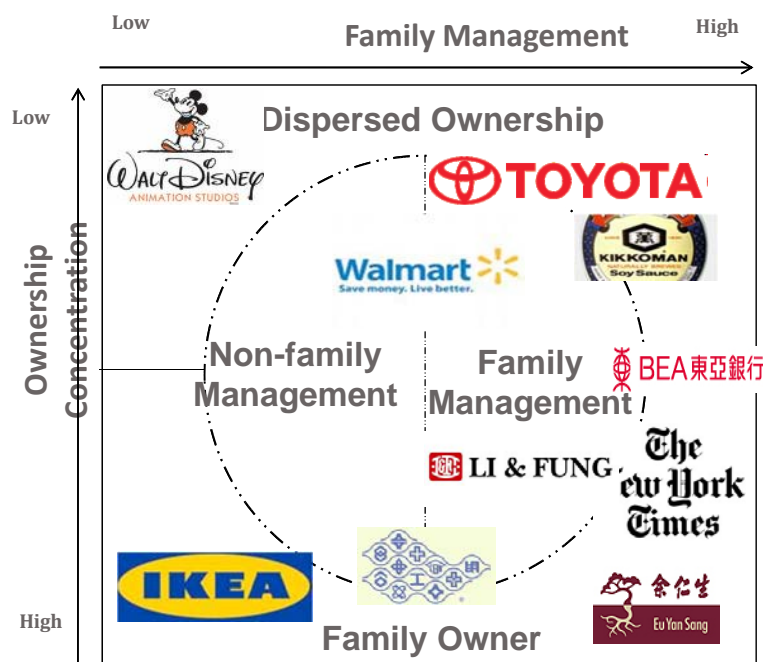
- Finding them
- Families' unique contributions
- Key challenges
- Governance



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Working with Family Businesses:

## What are family businesses?

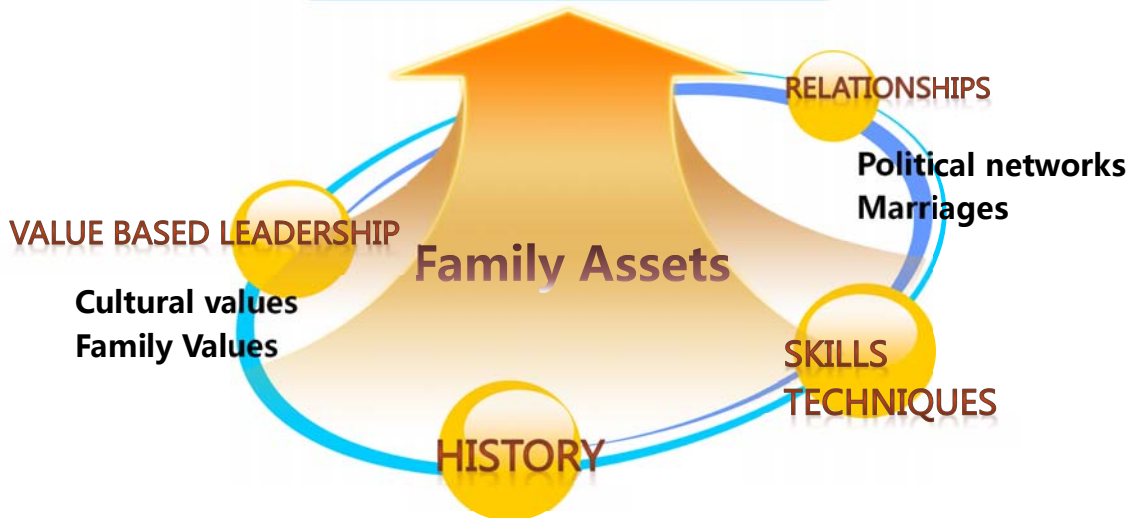


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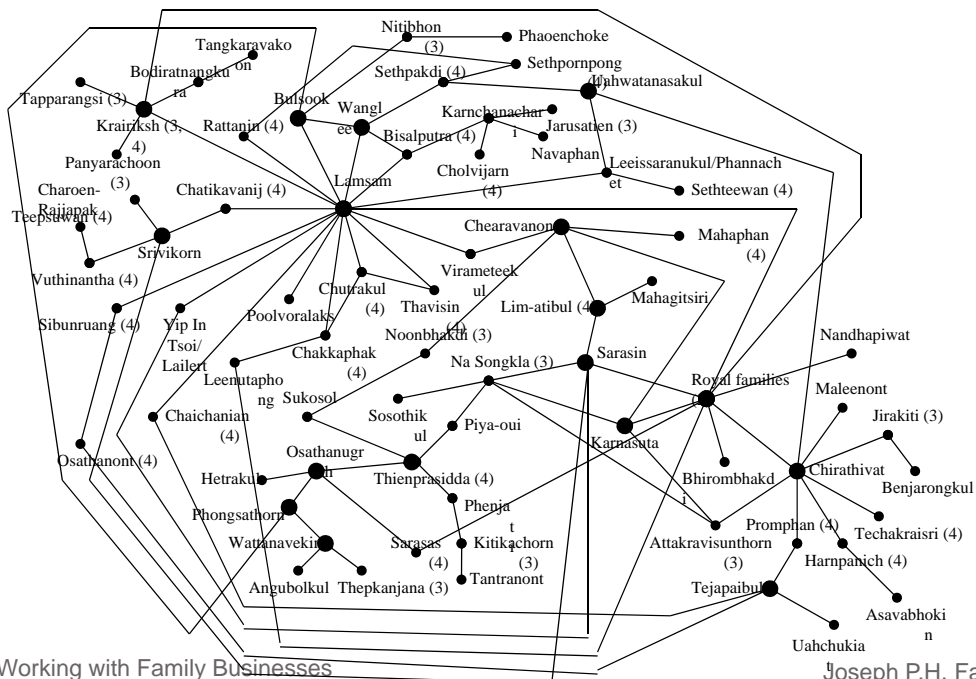
# Value of Family Management



Family members provide unique contributions to their business

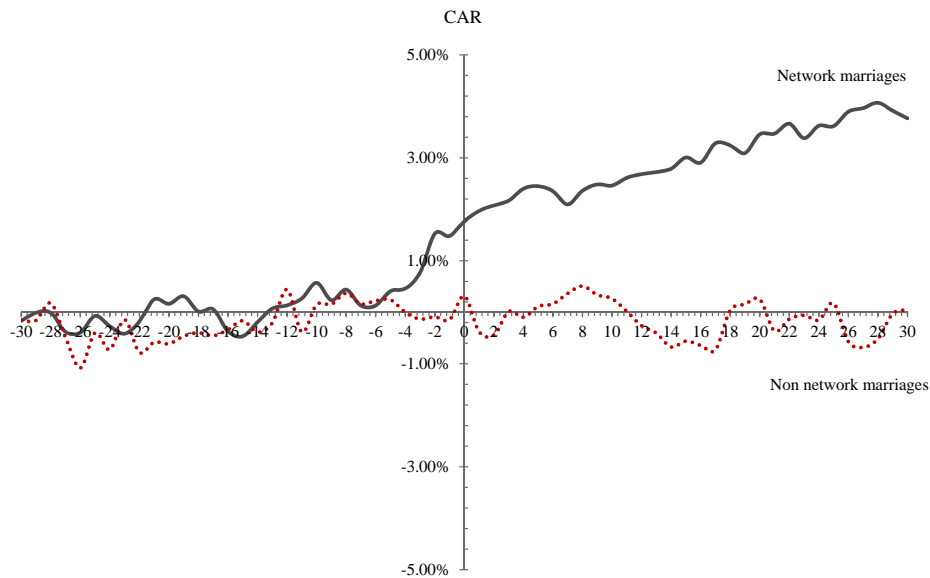
# Network by Marriage (Thailand)

Bunkanwanicha, Fan, and Wiwattanakantang (JFQA, forthcoming)



# The stock market reaction to marital news

(Bunkanwanicha, Fan, Wiwattanakantang, JFQA forthcoming )



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## Value-based Leadership

- Zong Qinghou, founder of Wahaha, the largest bottled water and soft drink producer in China, also China's richest person in 2010
- Role model: Chairman Mao
- Does not use computer, approving proposals by traditional brush pen with red ink
- Conflict with Danone



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# Challenges of Family Businesses

- Succession
  - Transferring intangible family assets
- Roadblocks

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## Succession is a great challenge:

Most Asian families / companies don't do well.

*The Economist*, Feb. 5, 2011.

Source: Joseph Fan, Ming Jian, and Yinhua Yeh, "Succession: The Roles of Specialized Assets and Transfer Costs"



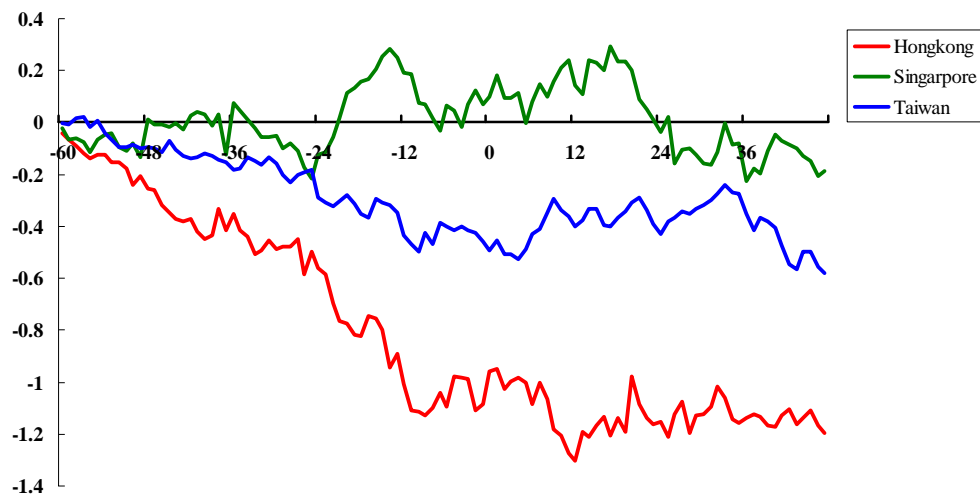
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## Succession and firm value

Monthly cumulative abnormal stock return (CAR) around succession, by economy

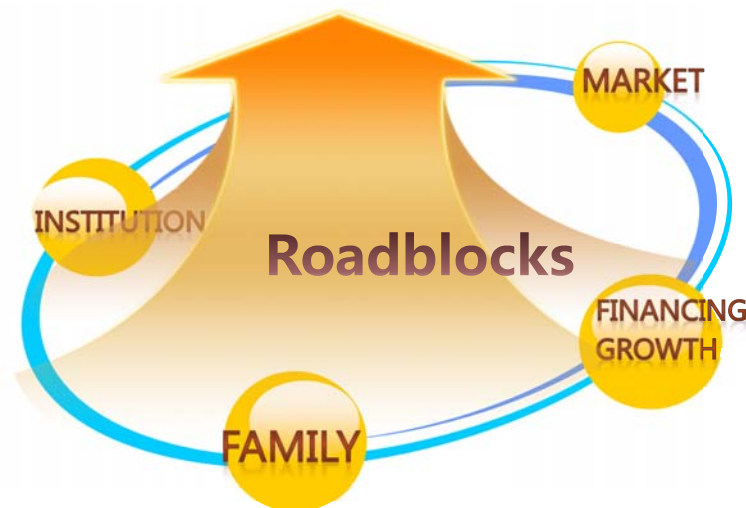


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## Family Ownership



## Obstacles of Family Ownership

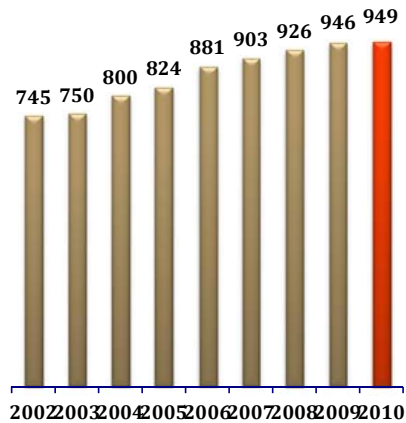
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# The Wendel Participation

## Once Voice?



Today

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## Family Business Governance Challenges

- Ownership design
- Family governance
- Corporate governance

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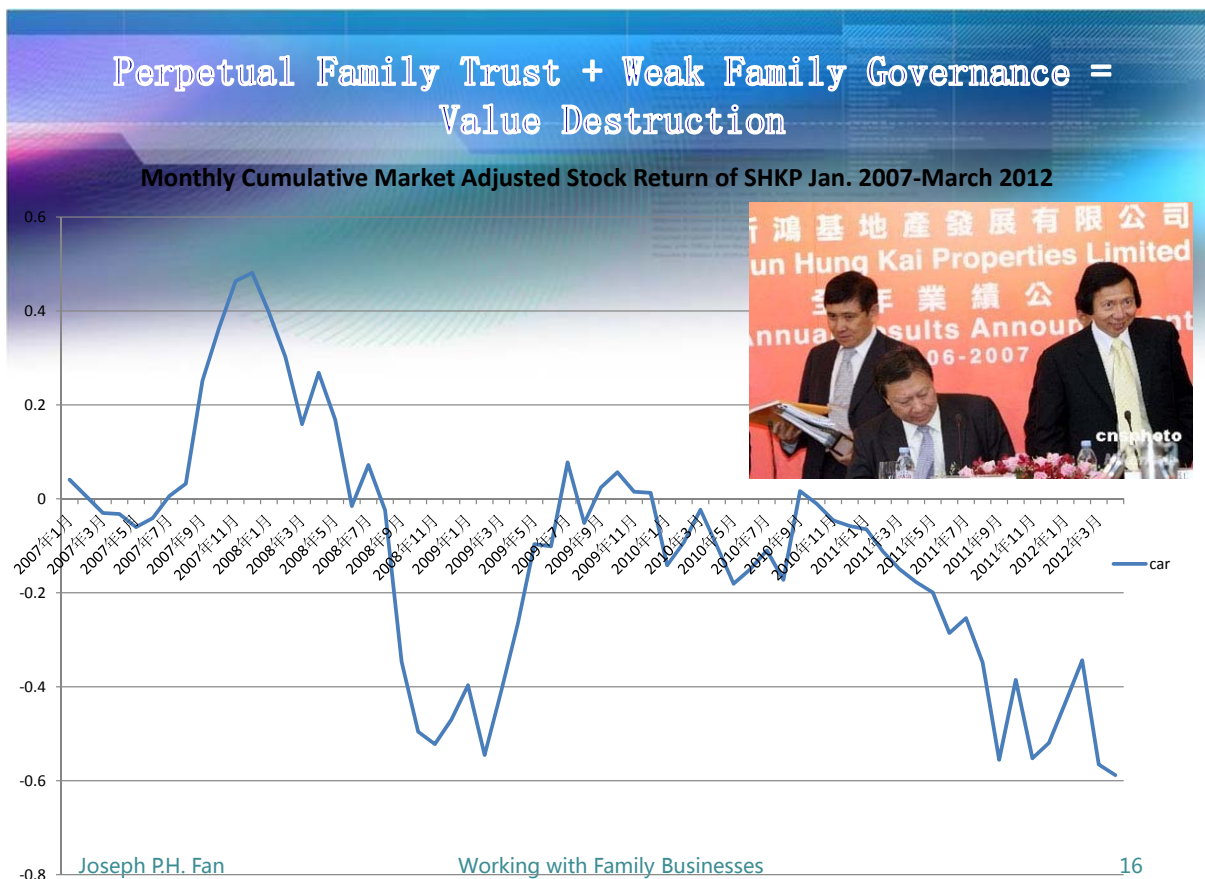
# Ownership Challenges

- Family communism
- Battle for dividend
- Tendency of diffusion
- Critical minority
- Perpetual ownership (and fight)

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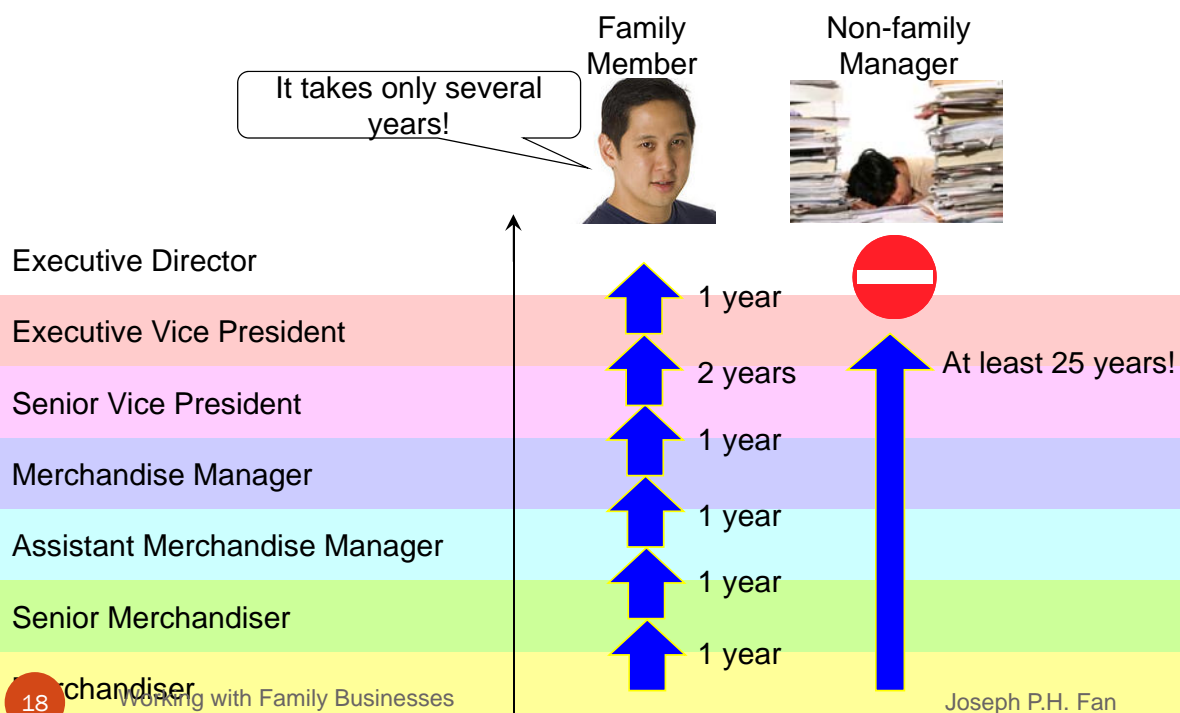




# Corporate governance

- Transparency
  - Value tied to intangibles rather than tangibles
  - Protecting proprietary information
- Management
  - Insider dominance of management and boards
  - Relationship as important as professionalism
- Incentive
  - Family and non-family managers are paid and promoted differently because of their different roles

# Motivating Managers in Family Firms



# Take home value

- Family businesses are competitive but facing challenges
- Sustainable family businesses
  - have ability to create, preserve, and transfer intangible **family assets**
  - are innovative and have entrepreneurship to transform their businesses and bypass **roadblocks**
  - have good **family governance** and wisely choose family successors
  - have credible **ownership and corporate governance**
  - build and reward **professional management team**

# Critical Generations:

Out of the Succession Struggle of Chinese Family Businesses

Inquiry: Maggie Lau (maggielau@cuhk.edu.hk)

范博忠 | 著

## 关键世代

走出华人家族企业传承之困

范博忠

1966年于美国范德堡大学获得金融学博士学位，曾任教于香港科技大学、香港中文大学会计学及工商管理系教授、经济金融研究所所长。范博忠为《人民政协报》杂志及《香港商报》杂志的专栏作者。他曾任世界银行的学术顾问及国际论坛主席。曾任《经济人》、《财经时报》、《亚洲财经》、《亚洲财经日报》、《香港财经》等国际主流媒体的专栏作者。范博忠在《经济人》、《财经时报》杂志的学术顾问与《亚洲财经》杂志主编。他不间断地出版新著、译著、合著著作。世界银行中国地区首席顾问及国际论坛主席。近年，他致力研究家族企业传承与永续经营之道。他的家族企业治理理论与管理学术著作有《关键世代》。

2012年，中国企业家不再简单地进入了家族与事业的旅程。从这一年起，我们开始关注中国民营企业的传承问题；从这一年起，我们将一拨又一拨的中国企业家首次经历传承，他们将在未来10年中的一系列决定与作为，将深深地影响他们与事业未来100年的投资。

中国民营经济发展已进入新旧交替的阶段，今后将有一波新一代的企业家涌现，他们将与家族财富交接下一代。但他们的下一代将面临，其家族企业不确定性的巨大环境。从过去注重家族文化传统的经验中他们知道，中国的家族企业传承难度大，企业与家族的信誉与价值往往在激烈的竞争中与接班人不断磨合中流失。如何安排企业接班，将家业传承与无限行通，是令多数中国企业家头痛的问题。

作者以深厚的经验与丰富的案例结合理论与研究思维与研究发现，包括如何安排家族传承与接班问题，如何安排家族企业传承与接班，如何设计与分配家族资产，如何设置家族信托与家族治理机制，如何安排企业接班人，如何安排企业接班人，如何安排企业接班人。

《关键世代》强调科学合理的传承与接班问题的思维与研究发现，包括如何安排家族传承与接班问题，如何安排家族企业传承与接班，如何设计与分配家族资产，如何设置家族信托与家族治理机制，如何安排企业接班人，如何安排企业接班人，如何安排企业接班人。

最后，本书理解中国企业家、家族成员与企业员工，是在传承过程中面临的挑战，而且许多决定于传承过程中做出，所以，越早越好，从今天开始规划准备。

《家族企业治理丛书》主编：范博忠  
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## Biography of Joseph P. H. Fan

Professor Joseph Fan is Professor of School of Accountancy and Department of Finance, and Director of Institute of Economics and Finance of The Chinese University of Hong Kong. Professor Fan received his Ph.D. in finance from University of Pittsburgh, USA. His research and teaching areas are corporate governance, corporate finance, and family business governance. He has done extensive research on family business in emerging markets, covering issues such as succession, ownership design, and family networks. He is also an expert in finance and entrepreneurship in China. He has published many of his works in world top academic journals, and is on editorial boards of several academic journals. Professor Fan is one of the most well cited finance professors in Asia. His corporate governance and family business research has been featured by various business press, including *The Economist*, *New York Times*, *Asian Wall Street Journal*, and *Financial Times*. He often gives speeches and courses on family business governance topics across China and South East Asia, and has consulting activities with the World Bank, OECD, and Asian Development Bank.

## Q&A

