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Leadership, Kinship Relations and Organizational Configuration: A Comparative Study of Three Family Businesses in China

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Abstract

An increasing volume of study has addressed the importance of leadership when doing business in China. However, few researchers have associated leadership with kinship relations in Chinese family businesses. This paper, assuming that there is a close relationship between leadership composition and organizational configuration, explores how kinship relations of family businesses influence leadership behaviour and leadership effectiveness in China, and further organizational structure and culture, major components of organizational configuration.

The method of case study is used to conduct this study. The findings of the three case studies are based on a qualitative research, in which 12 semi-structured interviews were carried out in three Chinese family businesses with different leadership composition. The study revealed that different kinship relations constituting the leadership of family businesses do exert some influence on organizational configuration, which can be reflected in the similarities and discrepancies on the structuring of activities and founder centrality, and distinct emphasis on ethical virtues originated from the Confucian ideology. It is hoped that an in-depth study, further a thorough understanding of the effect of leadership composition on organizational configuration, for the good, the bad or neither, might be conducive to the survival, continuity, and improvement of Chinese family businesses.

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Chapter One: Introduction

1.1 The Purpose of the Study

The study focuses on the effect of leadership composition on organizational configuration in the context of Chinese family businesses. Right now, there are a host of existing studies on Chinese family businesses focusing on issues of ownership, such as the research of minority shareholder protection made by Lawton (2007), issues of strategic flexibility (Zahra et al. 2008), and the development of successors from followers to leaders (Wendy 1994; Cater and Justis 2009). Nevertheless, less is written about the role of leadership, related to the stewardship of family businesses. Further, kinship relations, an indispensible part of family businesses, associated with leadership behaviour are bound to exert some profound influence on organizational configuration, which involves organizational structure and culture. Given the gap existing in the family business literature about how different kinship relations constituting the leadership might affect organizational configuration, it is felt that there is the need to study the influence of leadership composition in family-owned businesses, such as leadership composed of the father alone, father and son together, the younger and elder brother, a couple of husband and wife, and the like.

1.2 Background

The phenomenon of leadership has been around since antiquity (Bass 1990), yet systematic social scientific study of leadership did not begin in earnest until the early

1930s (Littrell 2002). Nowadays lots of things have been known about leadership both in academic and practical fields. As pointed out by Fiedler (1996), leadership has played an increasingly important role in business on the grounds that it is highly required by organizations to address continuous change in resources, technologies, marketing strategies, and distribution systems. Further, it is argued that organizational variables, such as forms of business, organizational environment, and corporate size, are likely to exert various requirements on leaders, hence requiring a certain pattern or style of leadership (House and Aditya 1997). Namely, leadership behaviour may vary considerably as a consequence of the business context in which the leaders function, such as family versus non-family business, large-scale versus small-sized company, and the like.

Leadership is of great importance for the study of family businesses although it so far has received scant attention in the mainstream family business literature. Becoming a standard and habitual organizational form to run a business, the family business has received increasing attention over the last decades, with its accounting for at least 85 per cent of all business in the USA (Bork et al. 1995). There is evidence that the family-owned business is in great need of leadership to set strategies, make decisions, and operate the business on a day-to-day basis (Kelly, Athanassiou and Crittenden 2000). Perhaps not surprisingly, leadership plays a pivotal role in family businesses given their different goals, sometimes nonperformance-oriented goals such as employment of family businesses taking prededence over the goals of maximizing profit (Chua, Chrisman and Steier 2003), their greater potential for long-term conflicts among involved family members (Morris et al. 1997), and the strong link to firm survival compared with non-family businesses (Rubenson and Gupta 1996).

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Additionally, there is clear evidence that the presence of a strong, charismatic founder is, by and large, deemed as one of the significant factors creating and influencing the culture configuration of family businesses (Dyer 1986). Thereby, leadership is vital and cannot be ignored in organizational study of family businesses.

By the same token, leadership, a key factor affecting organization like family business, is of important significance in Chinese family businesses. As a major contributor to the success of East Asian economies (Kao 1993; Yeung 1998), the Chinese family business operating outside of the People's Republic of China (PRC) has attracted scholars' attention as an idiosyncratic and significant organization form (e.g. Wong 1988, 2004; Hamilton 1991; Redding 1993; Whyte 1996; Littrell 2002). An increasing volume of books and articles have been published during the past three decades portraying the leadership models of Chinese enterprise with most of them focusing on overseas Chinese family businesses (Silin 1976; Cheng 1995; Westwood 1997). Also in Mainland China, those businesses run by family units gain popularity among Chinese commercial and industrial enterprises (Wu 2006). Private economic activity in China takes two main forms, household businesses and private enterprises (Gregory, Tenev and Wagle 2000). There is evidence that household businesses keep on outnumbering private enterprises in both quantity and employment size. As of 1999, there were 31,600,000 family businesses with 62,410,000 employed workers, but only 1,508,857 private enterprises with 20,220,000 employed workers (Lan 2002; Wang 2002). There is an old saying in China that family businesses can provide a road to riches (Hanley 2000). Notwithstanding this fact, attention is rarely paid to those family businesses in Mainland China (Xu 1989). Wenzhou, a city located in

southeast of China, is renowned for its prevalence of family businesses. Therefore, the study of leadership in family businesses in Wenzhou become of interest.

1.3 Gaps

Despite an increasing volume of leadership research in the field of organization management, few researchers have put this phenomenon into a family business context. Even fewer researchers have done empirical research on how kinship relations influence leadership behaviour and leadership effectiveness in China (Tsang 1998). To a great extent, Chinese businesses are operated based on relationships or networking, especially the kind that is highly linked to family and lineage, which is also known as the kinship relation (Choi 1998). It is largely due to the fact that China is a typically relationship-based society (Liang 1974). As Bergere (1989) stated, family relations have the convenience to provide the basis for cost savings, management effectiveness and technological advance within the field of business. To be specific, kinship relations can build the inner circles of fiduciary community serving as primary standards for stewardship of the family businesses, such as guiding the recruitment of employees, building of business relations, and guarantee of a firm's internal harmony (McElderry 1995; Choi 1998). Furthermore, it is argued that "family relations provide the most reliable guarantees" when compared to those "ties of friendship or professional or regional links of solidarity" (Bergere 1989: 165-167). Given the importance of the kinship relation within family businesses, an in-depth study in this area is essential, with the aim to figure out how family relations impinge on firms at organizational level. It is clear, therefore, that the main research question of this study is to address how different family composition in the leadership would

affect the organizational configuration of family businesses. On the basis of the research question, a comparative case study of three family businesses will be conducted, in which the leadership consists of three distinct sorts of kinship relations: father alone, brothers as a unit, and a couple of husband and wife.

1.4 Thesis Outline

This paper, which concentrates on the study of leadership associated with kinship relations in the context of Chinese family businesses, is mainly comprised of eight constituent parts. Chapter One gives the purpose of this study and afterwards an introduction into the general background of leadership in family businesses as well as the status quo of Chinese family businesses. In Chapter Two, a short, brief review of both past and present literature on leadership in general is presented firstly. Emphasis of Chapter Two is placed on reviewing the role of founder leadership and effects of kinship relations in family businesses, and exploring the leadership behaviour in the kinship-oriented Chinese family businesses. In Chapter Three, the research design of the study is introduced to address the research questions generated based on the objective of this paper, and the selection of research methodology is discussed with theoretical justifications. The following three chapters – Chapter Four, Five and Six – illustrate the research findings obtained from case studies of the three selected family businesses in China. Afterwards, Chapter Seven provides the discussion and detailed comparative analysis of the findings. Finally, Chapter Eight highlights both the implications and limitations of this study, and also the directions for future studies in this area.

Chapter Two: Literature Review

2.1 Definition of Leadership

It is generally accepted that there is a definition for every concept. However, the field of organization management cannot afford to rely on a single definition of leadership, as there are an increasing number of persons attempting to define the concept (Stogdill 1974; Jago 1982). According to Fleishman et al. (1991), as many as 65 different systems have been developed and evolved to conceptualized dimensions of leadership over the past 60 years. Notwithstanding a variety of ways in which the concept of leadership has been defined, the following four vital constitutents can be viewed as the key to in-depth comprehension of leadership: (1) leadership is a process, (2) leadership includes influence, (3) leadership takes place in groups, and (4) leadership involves goal accomplishment (Northouse 2007).

As a process, leadership is not merely a special innate or inborn qualities or characteristics that reside in the leader. Rather, it is a phenomenon that resides in the context, or specifically a transactional event that occurs between the leaders and those toward whom leadership is directed (Hollander 1992). Namely, leadership is not a linear, one-way event, but an interactive event. From this viewpoint, a leader affects and is simultaneously affected by his or her followers. Defined in this manner, leadership is made available to everyone, not restricted to only those formally designed leaders in a group (Heller and Van Til 1983; Northouse 2007). With respect to influence, it is concerned with how the leader influences followers. Influence is the sine qua non of leadership. As an essential part of the influence process, power is

closely associated with leadership, and it is the capacity of an individual to influence others. In discussion of leadership, it is not unusual for leaders to be depicted as wielders of power (Burns 1978). Thirdly, groups are the context in which leadership occurs since it involves affecting a group of people who have a common purpose. Finally, leadership gives special attention to goals, aimed to direct a group of individuals toward goal attainment (Northouse 2007).

All these four dimensions are fully embodied in the transformational leadership, which has grown in popularity since the early 1980s and occupied a central place in leadership research (Lowe and Gardner 2001). As the term suggests, transformational leadership refers to a process which transforms people to promote their collective goals, with emphasis placed on intrinsic motivation and follower development (Bass and Riggio 2006). Besides, it involves an exceptional form of influence, improving the performances of followers and developing followers to their fullest potential (Bass and Avolio 1990; Avolio 1999). The leader who exhibits transformational leadership is at the center of group change and activity, and embodies the will of the group. Focusing on superior-subordinate relationship and group processes, the transformational model of leadership is closely related to the research of this paper. An empirical research undertaken by Zahra et al. (2008) suggests that founders exhibiting transformational leadership might be more inclined to create a family firm culture. Since it is not possible, nor relevant, to review all the definitions of the subject, the emphasis of the literature review is put on looking through the leadership in family businesses.

2.2 Leadership in Family Businesses

As the most significant and universal form of business organization, the family business has received increasing attention over the last decades (Yu 2001). It is reported that the vast majority of small businesses or large multinationals in continental Europe, Asia, and Latin America are predominantly run by family units (e.g. Claessens et al. 2000; European Corporate Governance Network 2001; Faccio and Lang 2002). Not surprisingly, family businesses are playing an increasingly significant role in economic activity worldwide (Lin and Hu 2007). There are several reasons might contributing to the prevalence of family businesses. Quite distict from those nonfamily businesses, the family business is able to create competitive advantage through the family culture that leaders strive to build. The effects of leadership, therefore, are of primary importance in the study of family businesses even though most of leadership theories have not yet been extensively applied in the empirical study of family businesses (Eddleston 2008). Additionally, kinship relations existing in family-controlled businesses make them unique in terms of the identity of the business, the continuance over generations, and the characteristic of the leadership (Nicholson 2008).

2.2.1 Founder Leadership

Fielder (1996) points out that leadership does matter for business success, no matter what elements it includes, a process, influence, or a group. Perhaps not surprisingly, leadership, especially founder leadership, is of overriding importance for family businesses owing to the founder's influential role in family businesses, especially

when it comes to family members' participation in the administration of those family-controlled businesses (Kelly et al. 2000). According to Schein (1983), how the founder of the family firm allocates related business responsibilities to other family members might exert a broad range of influence on those members' commitment to the family business. Moreover, it is argued that the level of those family members' comprehension of the founder's strategic intent and relevant beliefs will count on the way in which the founder introduced, implemented and steered the strategy process within the organization (Fulk and Steinfield 1990). Given the importance of founder's role in family businesses, a better understanding of the founder leadership in organizations is essential.

2.2.2 Founder as the Creator of Organizational Culture

The emergence of a strong, charismatic founder is, by and large, the determining factor in the development of the cultural configuration of family businesses (Dyer 1986). As first pointed out by Max Weber in the early part of the twentieth century, the founding generation of family businesses is central to the formation of organizational culture, and play the dominant role in shaping the institutions he or she creates. Later scholars like Harvey and Evans (1994), Ward (1990), and Kets de Vries (1996), also hold that the organizational culture of family businesses, to a large extent, is shaped by the founder's personality, values, and norms. Further, drawing from the transformational leadership literature, founders who display transformational leadership behaviours, usually with a strong set of internal values and ideals, can efficiently and effectively build a collective objective and shared sense of identity and

destiny among family members, which is conducive to develop positive and adaptive family cultures (Eddleston 2008).

It is often the case that the family business is driven by family modes, beliefs, and consideration about individuals (Kelly et al. 2000). Compared to those publicly owned companies, family firms seem to have more different goals owing to the fact that goals related to family roles, such as employment of family members, tend to be far more significant than the goals of growth and profitability (Trostel and Nichols 1982; Chua, Chrisman and Steier 2003). Davis and Harveston (1999) argue that, by creating a common goal, identity, and shared sense of destiny within the family business, the founder can bond parents, spouses, siblings, cousins, children and employees. Besides, the sense of identity is considered important in constructing positive and adaptive organizational culture also on the grounds that identity not only gives all the staff some credit for a company's successes but also makes them undergo depression for organizational failures (Davis, Schoorman and Donaldson 1997; Davis and Harveston 1999). In the meantime, it is important for a founder to be aware that those family members' commitment to business is primarily influenced by the degree of their participation in the management of family businesses as family member-managers and how the founder introduce related business responsibilities to them (Schein 1983). As a source of inspirational motivation, the founder of family businesses can create collective goals among family members, which serves to guide their beliefs and values, and then motivate them to become committed to the shared vision (Eddleston 2008). In order to attain an aura of success, founders strive to develop a distinctive competence for the business by injecting their individual values and wishes to the operating practices of the business and corporate strategies (Dyer

1986). In other words, the founder embeds in the organization vision his/her values, which are derived from his/her development and history, and imposes values and wishes on both family and nonfamily members within the organization, with the ultimate aim to solve various internal and external problems as the firm grows (Davis and Harveston 1999). The solutions to these issues regarding the firm's strategies and structure then become an integral part of the business culture (Kelly et al. 2000). It can be inferred, therefore, that the organizational culture of family businesses, kind of an embodiment of the founding personality, is inextricably bounded to the founding generation (Hollander and Elman 1988; Eddleston 2008).

2.2.3 Founder Influence on the Corporate Governance

It is argued by Geeraertz (1984) that most family-controlled businesses, although by no means all of them, share the common feature of centralized decision-making processes. The founder's significantly and increasingly influential role in the governance and decision-making process of family business primarily depends on the extent to which his/her post is centralized in the company's top management group. Basically, the group consists of both lineage members and professional managers who are not necessarily family members recruited to carry out key functions. The founder centrality, referring to how central a founder is in the communication and decisions within the top management group, is mainly affected by the founder's structural post among the group network. As pointed out by Kelly et al. (2000), founder centrality is comprised of three major dimensions. They are respectively betweenness, closeness, and connectivity, all of which are closely related to the nature of founders' role in family businesses.

Representing power, the first dimension betweenness centrality reflects the degree to which the flow of the information within organizations has to pass via a particular actor in the network (Krackhardt 1990). With a high level of betweenness network position within the group, founders can exercise power to control the agenda with communications in the network channeled through him/her. In a word, the founder's betweenness impinges on the degree to which he/she can wield power on the group to carry out corporate strategies and further to control the conformity with and insistence on his/her cultural values and strategic vision (Kelly et al. 2000).

With respect to closeness centrality, it is representative of the founder's rapid and unencumbered access to members in the group network as well as the lack of rapid and direct links among other managers as a group. There are direct links between the founder and others without the function of intermediaries (Bonacich 1972). Not dependent on other members of the top management group to manage, the founder has the capacity to establish a strong power base. Instead, these group members are reliant on the founder for decision-making (Kelly et al. 2000).

Lastly, connectivity centrality reflects the degree of the founder's influence on the most connected managers who are central in the network (Watts and Strogatz 1998). High founder connectivity can improve the founder's capacity for diffusing his/her values and visions throughout the managerial network, hence establishing his/her own strategic vision and shaping the firm's organizational culture. As for the founder of family businesses, the higher level of connectivity, the higher probability that founders would be connected to other family members within the top management group. As a result, these family members would be infused with the founder's values

and perceptions (Kelly et al. 2000). There is no doubt that each dimensions of the founder centrality, closely relevant to founder leadership, would exert some influence on the governance of the family business.

2.2.4 The Kinship Effect

Those words such as harmony, love, hate, faith, honor, and the like, rarely heard in the corporate world, are the sentiments of kinship. It seems that they are not in accord with what Weber has stated about classical management principles of rational order on which most of the modern companies are set up (Nicholson 2008). Additionally, it is widely perceived that the kinship dynamic rooted in family businesses is likely to undermine the logic pertaining to detached decision-making, impartial authority, and meritocratic management, all of which are crucial factors to deliver consistency, efficiency, and effectiveness in the organization. The point that family interests and motives might put the logic at risk is largely because of the use of familial approach, with nepotism and favoritism as a side effect (Gordon and Nicholson 2008). To be specific, family composition within the organization makes it vulnerable to spillovers from family dynamics that would weaken its capability. Just as firms with high involvement of kinship can come together easily, so too can they fall apart if family members move in pursuit of different goals (Nicholson 2008). For instance, there is frequent occurrence of sibling conflicts in family businesses, which seems to be an inevitable issue. A great deal of reasons can contribute to this kind of conflict. Yet, Sulloway (2001) argues that perhaps the prime reason is the contradiction between the both sides involved – the elder holds the advanced post on grounds of prior claim while the younger seeks to resist against the order that upholds the elder's precedence.

Simultaneously, the elder appears to resent and impede the instruction of the younger, which more or less exacerbate the conflicts. Besides, it is said the operation of primogeniture, the tradition that the eldest son succeeds to the leadership, would make family businesses suffer performance deficits (Nicholson 2008). A painstaking research study made in Denmark casted light on the perils of primogeniture (Bennedsen et al. 2007). And a recent British study got the same consequence as well on the issue of primogeniture (Van Reenen and Bloom 2007). In this regard, it seems that the family firm is at a low level of business development or evolvement, compared to those nonfamily firms whose structure, rules, and internal logic are optimized. Kinship as a crucial building block of family business has a detrimental effect on corporate performance of family businesses.

Notwithstanding the pitfall listed above, there are also important contributions of the kinship dynamic for the good of organizations. It is argued that family members constitute genetic identity in those family-controlled companies, where the business is viewed as the common-wealth of the family and what it generates is a symbol of the family's worth and social contribution (Nicholson 2008). As Barrett, Dunbar and Lycett (2002) have stated, shared genes represent shared interests. In this view, it can be concluded that kin who carry the same genes would sacrifice for and cooperate with each other to reinforce the collective identity, from which family businesses are able to benefit. Additionally, the dynamic of kinship relations inherent in family businesses has the capacity to generate superior motivational properties, which is normally known as 'family capital' (Beehr, Drexler and Faulkner 1997). The benefits of family capital as the combination of interests around a shared entity can extend beyond family members in the organization. With the involvement of key family

members in the ownership of family businesses, it seems that any changes or inequalities occur in ownership is very likely to result in conflicts (Wong 2004; Lawton 2007). Therefore, ownership is pretty crucial to family businesses. It should be noted, however, that in family businesses ownership denotes more than just owning shares for family members. A meaningful concept of 'emotional ownership' becomes another corporate buzzword. Put forward by Nicholson and Björnberg (2008: 3), it conveys "a sense of closeness and belonging to the family business". Due to emotional ownership, those family members, whether or not they are owners, feel they are part of the business and the business is part of them, hence their commitment to the organization. Clearly aware of the point, many family businesses endeavour to reach this wider psychological identification among family members when there is unequal distribution or concentration of material ownership (Neubauer and Lank, 1998).

2.3 Leadership in Chinese Family Businesses

It is universally acknowledged that leadership is regarded as a universal phenomenon across cultures. However, the way in which leadership is operationalised is generally considered to be culturally specific (Dorfman et al. 1997). In addition, as Schein (1983) and Astrachan (1988) noted, how leadership constructs are enacted in family businesses is highly associated with the local community's culture. Thereby, an in-depth study of the local culture can more or less offer descriptively rich information concerning how leadership behaviours are displayed in a certain culture (Berry 1980). Based on limited sets of assumptions, the leadership literature mostly reflects western culture, in which the majority of the prevailing leadership theories are characterized

by individualistic rather than collectivistic, stress follower responsibilities rather than rights, and assume hedonism rather than commitment to duty or altruistic motivation (House, Wright and Aditya 1997). Therefore, it is necessary to firstly study Chinese culture for better understanding of the leadership in Chinese family businesses.

2.3.1 Chinese Culture

2.3.1.1 Confucianism in Chinese Society

It is argued that there are various and sometimes competing schools of thought involved in the traditional Chinese culture, which incorporate Confucianism, Buddism, Taoism, Legalism and a host of others, with different weights put on lists of key cultural elements. Despite the important contribution of various thoughts to Chinese culture, Confucianism is unquestionably considered to be the most influential and prevailing ideology on the grounds of its function in the formulation of the basis for the Chinese cultural tradition (Pye 1972; Fan 2000). Besides, as the behavioural and moral doctrine, Confucianism still provides the foundation for the norms of Chinese interpersonal behaviour (Shenkar and Ronen 1987). The philosophy that goes under the label of Confucianism is mainly based on the teaching of Confucius and writings of his disciples. Basically, the thought system of Confucianism is about human relationships, social structures, virtuous behaviour and work ethics (Fan 2000). The Confucian philosophy is an attempt to cultivate interior goodness and couple it to exterior grace through the encouragement of social decorum, with the intent to ensure a harmonious society with an order of balance, reasonableness, and considerateness (Redding 1993). Governing the whole range of interpersonal relations within the society, rules in Confucianism are specified for the social behaviour of each person.

The essence of Confucius basic teaching can be distilled in five core virtues, which are Ren (humanity), Yi (righteousness), Li (propriety), Zhi (wisdom), and Xin (faithfulness). It is perceived that all of these five crucial virtues are deeply embedded in the Chinese cultural tradition and lie at the heart of Chinese character building. According to Confucius, each individual has a specific place in society. There are certain rules for people to follow and certain duties to fulfill. Getting people to understand their prescribed roles is a sine qua non for them to behave what they are expected of. Therefore, Confucius further set up five basic human relations and laid down related principles for each relation, which are known as Wu Lun (Fan 2000). It is illustrated as follows.

Basic Human Relations	Principles
Sovereign and subject (master and follower)	Loyalty and duty
Father and son	Love and obedience
Husband and wife	Obligation and submission
Elder and younger brothers	Seniority and modeling subject
Friend and friend	Trust

Source: Fan 2000

As can be seen from the above table, all of these five relations, except the last one, delineate a hierarchical power structure, involving the authority of one person over another, that is, superiors over subordinates, the elder over the younger, men over women. On the one hand, superiors determine and direct the behaviour of the subordinates. The subject have to give obedience and respect to his/her ruler, the child to his/her parents, the younger brother to the older brother, the wife to her husband. On the other hand, the superior assume corresponding responsibility accordingly. From a Confucian viewpoint, then the society at large would come to exhibit the kind of balance, reasonableness, and considerateness, typical of the best human beings

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(Redding 1993; Fan 2000). Note again that, there are family relations among these five basic human relations, indicative of strong family-orientation in the Chinese society. Such relations, when applied to management, lead to the emergence of a paternalistic leadership style in business (Hsiao, Jen and Lee 1990). In the setting of a high context culture, China attaches much weight to Confucianism, which can be reflected in the view of leader roles and leadership behaviour. In addition, Confucianism ideology also explains the relationships within the Chinese society in terms of harmony, hierarchy, and development of morality and kinship (Shenkar and Ronen 1987; Hall 1976).

2.3.1.2 High Power Distance in Chinese Society

Hofstede and Hofstede (2005: 46) define power distance as "the extent to which the less powerful members of organizations expect and accept the unequal distribution of power". Power distance is highly pertinent to the research of leadership in that it deals directly with relationships to and expectations of authority (Offermann and Hellmann 1997; Mockaitis 2005). High power distance, reflecting a high level of the inequality of power between the leaders and those led, indicates a preference for autocratic and paternalistic management. It is evident, therefore, that manages from high power distance culture are inclined to exhibit more controlling behaviours than manager from low power distance cultures (Hofstede 1980, 2002).

According to Hofstede (1980, 1996, 2002), Chinese culture normally exhibits high level of power distance, with the distribution of power formalized in a hierarchy. It is perceived that such inequality of power within the society is considered socially acceptable by the Chinese people as the cultural heritage. People express, in their

behaviour and attitudes, a strong sense of vertical order. Just as living on a form of ladder, they understand that they fit naturally below some one, and at the same time significantly above others. That is people' feeling about how their social world has always been designed. Therefore, it is conceivable that, subordinates in an institution or an organization accept or admit other people's power merely based on where they are placed in a certain formal and hierarchical position (Redding 1993).

2.3.1.3 Collectivism in Chinese Society

Although Hofstede separated collectivism from high power distance, empirical studies carried out by other scholars (e.g. Erez and Early 1993; Bond 1996) indicated that these two crucial factors are correlated dimensions in the analysis of Chinese culture. There is evidence that those cultures with high power distance are normally, although by no means completely, characterized by collectivism. It is perceived that China, together with other Asian countries, has a collectivistic rather than an individualistic cultural value orientation, which is associated with hierarchy (Hofstede 1980; Triandis, Bontempo and Villareal 1988; Triandis 1989).

An essential attribute of collectivist culture is that an individual is inclined to subordinate their personal goals to the goals of the collective, which is usually a stable in-group such as family, band, tribe, and the like, hence ensuring their goals in accord with the goals of the in-group (Triandis, Bontempo and Villareal 1988). Basically, it is the case in Chinese society where an emphasis has been placed on people rather than on task, and much attention paid to intensive and interdependent relationships with in-groups rather than detachment and self-reliance (Redding 1993). The Confucian vision of building a harmonious community is virtually grounded on

collective responsibility, with roles strictly followed and power not abused. Clearly aware the point that the abuse of power would undermine the authority and destroy the subordinates' allegiances, Confucianism strived to developed collectivism within Chinese society, with the deference to an order of hierarchy founded based on those major relations between members of collective units such as families (Tsang 2007). Therefore, collectivist cultures in China have served to form people's morality as well as to build a harmonious community.

2.3.2 Leadership and Chinese Family Businesses

Given the working of these three influences discussed in the preceding sector, a number of organizational outcomes are discernible: familism as a central tenet is deeply embedded in the minds of most Chinese to govern their businesses; paternalistic organizational climates and worker dependence; patrilineal and patrilocal kinship structures within family-controlled businesses. When it comes to leadership behaviour, a number of reflections of paternalism and hierarchy came to the surface (Redding 1993; Fan 2000).

Based on the study conducted by Hersey and Blanchard (1981: 34), the consistent patterns of behaviour that people exhibit to impinge on the performance of others in the group is called leadership style. As their research states, central to the concept of leadership, there are two kinds of behaviour, task and relationship behaviour, the former of which is concerned with when, where, and how to accomplish tasks, the latter referring to the maintenance of personal relationships between leaders and followers. More specifically, task behaviours are concerned primarily with helping

group members to achieve their own ends or reach a common goal by means such as organizing work, scheduling work activities, and so forth; relationship behaviours facilitate relationship improvement, involving one's relationships with others and other's views about oneself (Cartwright and Zander 1960; Likert 1961, 1967; Blake and Mouton 1985). One of the best-known works on leadership style made by Tannenbaum and Schmidt (1973) is based on it. In their research, they put forward a continuum of possible leadership behaviour, moving from very authoritarian (task) leadership behavior at one extreme to very democratic (relationship) leadership behaviour at the other. Yet, since the leadership behaviour of family businesses in the context of Mainland China is strongly influenced by Confucius thought and teachings − an undeniable and firmly established ideological system that has exerted profound influence on the way people live, work and learn (Littrell 2002), it appears that neither boss-based (authoritarian) nor subordinate centered (democratic) leadership is sufficient to describe the Chinese leadership style. As a result, Confucian leadership style has been emerged as a distinct leadership patterns which are merely available in China (Littrell 2002).

As Redding (1993) notes, there is universally a high utilization of control and penalty by leaders in Chinese family businesses, with relatively great importance attached to the appraisal of the subordinates' performance. Quite obviously, the more controlling behaviour being exhibited by figures at the top, the more authority power will be exercised. In consequence, those people operating family businesses in China tend to make decisions without inviting the participation of their subordinates (Francesco and Gold 1998). From the perspective of the boss (*Lao ban* in Chinese), it is neither necessary nor desirable to let staff take part in decision making. It does not come as a

surprise, therefore, that decision-making is not left an open affair in most of the Chinese family businesses. On the one hand, the boss wields the power over all important decisions; on the other hand, all the employees falling under the boss are obligated to report to him/her (Redding 1993). Based on position, authority and seniority, leadership in Chinese family businesses conveys a high distance of power (Hofstede 1996, 2005).

In the meantime, it is perceived as well that leaders of Chinese family businesses strive to promote teamwork, highlight mutual independence, and advocate collective interests. To be specific, these leaders treat themselves as members of the groups, and focus their efforts toward a unified group goal, giving group interest priority and casting aside their individual interests (Erez and Early 1993; Singelis et al. 1995). It is indisputable that such attribute is consistent with transformational leadership, which is widely talked in the current leadership studies. Similar to how transformational leadership stimulates subordinates to forgo their self-interest out of the good of the group or organization and encourage the group to work together over individual goals (Bass and Avolio 1990; Ling et al. 2008), the collectivistic cultural value orientation deeply rooted in Chinese society as well as in those Chinese family businesses motivates organizational members to cooperate fully with each other and to act in the best interest of the organization by raising their collective satisfaction (Redding 1993; Hofstede 2002; Eddleston 2008).

Moreover, affection and relationships between the leader and those led are accorded high importance in Chinese family businesses. In general, managers pay a great deal of attention to human factor besides the goals of growth and profitability, aimed to

maintain a good interpersonal relationship with the staff. However, it should be noted that it is not to contend that authority figures at the top engage in subordinate centered (democratic) leadership. Behaving like an unchallengeable father of a feudal family, the boss or leader of family businesses is still the only person who has the capacity to make often hard decisions associated with the organizational culture. Issues such as controlling, firing or not firing someone, determining rewards, dealing with discipline, and so forth, all rest with the boss of family businesses. What has been discussed so far about paternalism, furthermore, imparts some of the flavour of Chinese leadership style, a style characterized as "didactic". That is, leaders retain power by rationing information and assuming the superiority of the teacher. It appears to be a crucial component of Chinese leadership behaviour. Note again that, in order to gain loyalty of those below, leaders in a superior position have to take on obligations, such as the paternalist concern for caring about the subordinates' general welfare, providing security for the older ones, helping the inefficient, being understanding, and the like. It conveys a sense of responsibility towards workers. In brief, the leadership is exercised in the way in which the boss takes care of all the staff under him/her, and in turn they are loyal to and cooperative with him/her. Therefore, it can be inferred that the leadership behaviour of Chinese family businesses comes to be benevolently exercised as a distinct style – benevolently autocratic leadership style (Hofstede 1985; Redding 1993).

2.4 Conclusion

To sum up, in this chapter a brief literature review on leadership was first presented, with focus on the major components of leadership and the primary theoretical

conceptualization of leadership – transformational leadership model. Afterwards, the leadership, especially founder leadership, associated with kinship relations was mainly discussed in the context of family businesses. Of central concern in this chapter was reviewing the leadership style or behaviour in the kinship-oriented Chinese family business. Since it is impossible to wrench a thing out of its context and comprehending its working fully (Redding and Whitley 1990), an analysis of a wide variety of factors embodied in the environment of Chinese society was made as well for further understanding of leadership in Chinese family businesses. Finally, how to apply those theories presented in literature review to the research design of this study will be discussed in the next Chapter.

Chapter Three: Methodology

3.1 Introduction

The objective of the chapter is to discuss the philosophical underpinnings of the qualitative research regarding methodological consideration and to justify the appropriateness of qualitative design to the context of this research. This study draws on a framework within the qualitative research paradigm. The research design combines interviews and documentary material of participant companies.

3.2 Research Questions

A crucial building block, and one that plays a key role in the process of qualitative research, is to formulate the research questions. The researcher is bound to encounter the formulation of the overall research questions that consistently emerge in the study, from the very beginning, when the study is defined, to the following stages of the process, such as conceptualization of the research design, access to the field, selection of case, and the decision about appropriate methods of gathering data (Flick 2002). As Fielding and Fielding (1986) noted, without the research question clearly put forward, it is likely that researchers will ultimately find themselves confronted with mountains of data helplessly attempting to interpret them. In short, the elaboration of the research questions in the research process is necessary not only for checking the appropriateness of methodological decisions, but also in the respect of generalization and evaluation of data analyses. It is argued that the formulation of research questions

in concrete terms is guided by the objective of the study. The purpose of this research is to explore the effect of different leadership composition on the organizational configuration of family businesses in modern Chinese society, which embraces organizational structure and culture. Accordingly, this study is to address the following research questions:

1. How does leadership composition affect organizational configuration in the context of Chinese family businesses. More specifically how do kinship relations affect organizational structure and culture?

2. What are the implications that leadership, connected with kinship, present for the practice of family businesses in China?

Based on the above questions, the research methodology was selected and employed to explore how leadership configuration is associated with organizational configuration of family businesses.

3.3 Research Design

Research design refers to a plan or procedure that functions to collect, analyze, and interpret data with the ultimate aim to answer the initial questions for research as unambiguously as possible (Creswell 2009). Like a door to the research field under study, the research questions direct designs of the study. The decisions about choosing appropriate methods and about who or what should be included in the study count on the formulation of such questions. Generally speaking, research questions can be classified into two main types, those oriented towards describing states and

those describing processes (Flick 2002). With the purpose to describe, explore, and interpret phenomena being studied (Marshall and Rossman 1999), qualitative research questions are more concerned with the process than the outcome, hence in most cases taking the form of what, how and why (Ploeg 1999). Based on the research questions elaborated above, which quantitative measures and the statistical analyses do not fit, qualitative research design of this study was addressed.

After deciding to carry out the study using qualitative approach, another crucial part of research design is to choose an appropriate qualitative strategy for a better fit to conduct qualitative studies. There are various types of qualitative strategy, such as ethnography, narrative research, case studies etc (Creswell 2007). Increasingly used as a research strategy (Yin 1994; Stake 1995, 2000; Robson 2002), case study involves a detailed exploration of phenomena in their context, usually with data gathered during a period of time (Hartley 2004). Additionally, There is evidence that case study research is essential and instrumental in comparative research (Hartley 2004), which has been examined by Pettigrew and Fenton (2000) who employed case studies to investigate networks within and between organizations in a number of countries. Therefore, in order to get detailed understanding of the context and further figure out the connection between kinship relations and organizational configurations, a key decision was made to conduct a comparative design with three case studies.

An initial and key issue researchers confronted in carrying out multiple-case design is the choice of the case study organizations (Pettigrew and Whipp 1991). Therefore, it becomes a central step in the research process to select the appropriate cases, with the end to ensure the collection of comparable data illuminating contrasts and similarities

across the contexts (Brown and Eisenhardt 1998). As specified in research questions, the focus of this study is to investigate how the organizational configuration of Chinese family businesses varies with leadership composition, kind of independent variable. It has been noted a number of times that leadership composition refers to those family members who are in charge of the family business. Quite obviously, in this research, there is the need to choose case studies with different leadership composition to make sure the variety of the independent variable. Consequently, three family businesses with different kinship relations engaging in the leadership were selected to undertake this comparative study and further to address the research questions. These were Ruian Huaguang Warp Knitting Factory, Zhejiang Lianda Chemical Co., Ltd, and Zhejiang Yahu Auto Parts Co. Ltd, covering three industrial sectors textile, chemical, and automotive industry respectively. The leadership of these selected family businesses was made up respectively of father alone, elder and younger brothers, and the couple of husband and wife. Most of the data were derived from tape-recordings of these three case studies. It was not a coincidence that the researcher decided to focus on these three Chinese family businesses rather than upon others. First of all, the choice of the three case organizations fulfills the requirement of this study. Secondly, to be pragmatic, these three family businesses could be approached by three of the researcher's contacts. In this case, they would be likely to provide a body of good quality data.

3.4 Data Collection

The data gathered for this study was derived from a combination of both primary and secondary sources. The primary data was collected from a series of semi-structured

interviews, a most commonly employed research method (Stark and Torrance 2005). The secondary data encompassed a selection of a variety of books, journals, and articles. In addition, documentary data, such as internal policy reports, internet pages, newspaper reports and marketing brochures were utilized for secondary data as well. To some extent, this sort of documentary material potentially enriched the study by providing a rich source of analytic topics. Preliminary document review contributed to the understanding of the organization before entering the field (Brown, Humphreys and Gurney 2005; Punch 2005). All in all, documentary data were collected in conjunction with tape-recorded data stemmed from interviews. It is argued that multiple sources of data provide multiple perspectives on the same phenomenon. Therefore, the two main ways in which data were generated in this study allowed the researcher to deal with a broader range of historical, behavioural and attitudinal issues (Yin 1994).

3.4.1 Interview as a Qualitative Method

Chisnall (2001) defines an interview as a conversation guided by a specific purpose in addition to satisfaction in the conversation itself. As a purposeful exchange of meanings, the interaction between interviewer and interviewee makes an interview one of the most fashionable and flexible methods available in qualitative research. Widely employed in organizations, the qualitative research interview generally refers to in-depth, loosely structured one, taking on slightly different formats such as semi-structured and un-structured interviews (King 2004). From the viewpoint of the interviewed subjects, they are more inclined to express themselves in a relatively openly designed interview situation than in a highly standardized interview or a

questionnaire (Flick 2002). Thereby, semi-structured interviews have received a great deal of attention, and are widely used in qualitative research (Cassell and Symon 2004; Smith 1995).

In this study, semi-structured interviews were undertaken as a conduit for obtaining the primary data. The problem most researchers are to be confronted when carrying out interviews is how much structure to put into the interview (Jones 1985). Making decisions beforehand about what topics were to be involved and what key questions were to be asked, the researcher established a general structure before interviews commenced. The detailed structure was then left for the researcher to work out during the interview, where those pre-set questions were likely to change as new and interesting areas were uncovered.

3.4.2 Framing the Interview Questions

Unlike the structured interviews, generally employed in quantitative research where respondents passively respond to the interviewer's prepared sets of questions, semi-structured interviews usually have a preponderance of open-ended questions with rather informal patterns, serving merely as a guide (King 2004). In case of interviewees, they are able to enjoy considerable latitude in expressing their opinions on their own words in semi-structured interviews (Cooper and Schindler 2000). For researchers, they can discover issues that they may not have conceived of as important for the study, and then tailor their questions contingent upon the participants' response (Easterby-Smith, Thorpe and Jackson 2008). More importantly, interviews with informal patterns of questioning, like a conversation, more or less

helps to thaw the sometime-edgy atmosphere and furthermore increase the likelihood of participants' being more talkative and truthful in their responses (Douglas 1985). Therefore, it is of vital importance for the research to frame suitable and cohesive questions for a good interview.

Basically, the semi-structured interviews in this study started with discussing respondents' jobs, such as leader's background, or employee's duty to his/her department. In general, the interview questions of the study covered the following core themes both for presidents and other respondents of the three family businesses – leadership behaviour or style, decision-making process, structuring of activities (such as specialization, standardization, formalization, etc.), relationship between leaders and employees, cultural value associated with the Confucian ideology, the condition of equity vs in-group bias. In order to generate free-flowing conversation with minimal interruption by the interviewer, departure from the guidelines of interviews was not seen as a problem. Conversely, it was often encouraged to rest assure good communication between the interviewer and the respondent (Silverman 2010).

3.4.3 Arrangement of interviews

In total, 12 semi-structured interviews were conducted individually with interviewees from the three case organizations in Wenzhou, China. All of the interviews were carried out in August 2010, with the average duration of 30 minutes. The results of these 12 semi-structured interviews made up the database of this study. Those participants interviewed ranged from shop floor to senior management level in each company. More specifically, there were three interviews undertaken with the

president or director of the company, two interviews with those at senior management level, and the rest seven interviews with the shop floor staff. It was within the participants' own working setting and in the their native language (Chinese) that all the interviews were carried out. In order to ensure that all participants were clearly aware of aims and objectives of the study, each of the three family businesses received a letter by email at the initial stage, in which the intention of the study and overall outline of interviews were spelled out. Afterwards, the subsequent arrangements of semi-structured interviews schedule, such as the use of tape recorder and the issue of confidentiality, were directly and respectively sent to all participants. It proved that such pre-interview communication was essential, especially in obtaining the subjects' informed consent to take part in the study (Kvale 1996). It was also conducive for interviewers to build good relations with interviewees by taking care of their needs, and showing respect to their dignity, right and well-being, hence an increase in the degree of interaction (Creswell 2009). Finally, all participants consented to be tape recorded during the interview.

3.4.4 Sampling

With the intent to provide explanations of attitudes and behaviour instead of to quantify the extent in population, the sample of this study was designed to reflect the leadership of Chinese family businesses. As has been pointed out by National Centre for Social Research (2002), there is no need for qualitative samples to be as large as survey samples of quantitative research or to be statistically representative. Rather, qualitative samples should be selected purposively to include the range and diversity presented in the target audience so as to provide robust explanations and draw wider

inference. Miles and Huberman (1994) contend as well that it is neither necessary nor desirable for qualitative samples to be so large. Instead, qualitative research can be carried out with small samples of people, bound by specific contexts and studied in depth. In this study, interviewees numbered 12 from the three Chinese family businesses in Wenzhou, a prefecture located on the south-eastern part of China renowned for household businesses.

3.5 Data Analysis

It is said that qualitative data analysis proceeds in tandem with data gathering, handling and interpretation (Rossman and Rallis 1998; Creswell 2007). Data analysis of this study was based on the interview accounts which constituted most of the data. The important task of the editing process of interview data was to record the spoken words and then to transcribe them (Flick 2002). It would be a productive place to start with organizing and preparing the raw data for analysis, involving transcribing interviews. Then there was the need to read and reread the transcripts that were derived from tape recordings of interviews so as to get general ideas of the information collected. After obtaining a general sense, a coding process was employed to make a detailed analysis (Creswell 2009). Rossman and Rallis (1998: 171) describe coding as a process of sorting and arranging the data into categories or themes and labeling those categories with a term before bringing meaning to information. Here, it should be noted that identifying a small number of clear themes at the outset would be helpful and desirable to code the data. Thereby, themes throughout the course of interviews were identified so that the wealth of data gathered could be organized into chunks or segments of text and fit into the expected

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categories (Cresswell 1994; Fisher 2004). These themes were also utilized to create headings in the findings section of the study. This approach of data analysis had the advantage in creating a clear and organized account of the findings (Cresswell 1998). Note again that codes could be modified and developed as the analysis proceeded (Fisher 2004; Silverman 2005).

In this study, the written transcripts of interviewees' oral statement were categorized into two theme sections – organizational structure and culture. Data display was then structured around these two themes. The comparative analysis of the three cases was based on the two pre-set categories to analyze and write up the case study. By looking across family businesses with distinct kinship relations, the researcher could explore the way in which organizational configuration of each cases was influenced. Given that the leadership composition of the three cases consisted of different family members, it was hardly surprising to find that the organizational configuration, to a large extent influenced or even shaped by leadership behaviour of family businesses, were also strikingly different. However, this was not to say that there was no similarity. From a comparative perspective, there was the very possibility of comparison among the three cases. The results, stemmed from interviews, were accounts capable of being compared to one another. Comparative studies was therefore undertaken to compare and contrast the organizational structure and culture of the three cases while making some change on the independent variable – leadership composition, taking into consideration issues such as an intimate understanding of a certain belief or value, the meaning attached to particular behaviours, and how behaviours are linked (Sidnell 2009).

The final stage of data analysis was to make sense of the data and to draw or verify conclusions (Miles and Hberman 1984; Cresswell 2009). That was to interpret the meaning of descriptions derived from informants, moving from comparative analysis to interpretation (Coffey and Akinson 1996). The interpretation of data was supported by direct quotations and specific evidence, with the aim to illustrate interviewees' response precisely. As an ongoing process with continual reflection (Creswell 2009), data analysis occurred throughout the formulation of the subsequent chapters. The next three chapters are to provide the findings of the three case studies, encompassing issues such as the company profile, family composition of each case organization, and the kinship effect on organizational configuration. Followed by that is the comparative analysis and discussion about what has been observed in case studies.

Chapter Four: Case Study of Zhejiang Yahu Auto Parts Co. Ltd

4.1 Company Profile

Belonging to automotive industry, Zhejiang Yahu Auto Parts Co. Ltd (Yahu) is specialized in manufacturing auto parts and accessories of the car seats. The products Yahu produces are mainly provided to large-scale manufacturers of automotive vehicles, with major clients such as Faw-Volkswagen Auto Co., Ltd, Shanghai Yanfeng-Johnson Co., Ltd, Shanghai Faurecia Co., Ltd, and so on. Over recent years, Yahu has experienced a rapid development, and more importantly passed the certification of ISO/TS 16949: 2002 in 2006, which refers to quality management system requirements of an international standard for the design and development, production and, when relevant, installation and service of automotive-related products (http://www.iso.org/iso/home.htm). In compliance with the Technical Specification ISO/TS 16949: 2002 and applying the requirements throughout the automotive supply chain, Yahu strictly conducts the quality management system, and aims to offer high-quality products with reasonable price and improved after-sale service.

4.2 Family composition of Yahu

As the president of Yahu, Mr. Chi stays in the locus of authority to make decisions affecting the company, involving issues such as division of labor versus coordination, control of both resources and activities. The management of the financial section of

the firm is left to the discretion of his wife Ye Chunlan. Acting as a treasurer, equal in status to the general manager, Mrs. Ye is in charge of the general financial matters of Yahu. Under the financial manager is the cashier, held by Mrs. Ye's younger sister. She keeps daily journals and accounts, and also assists the treasurer to collect loans. Other management positions are held by those who are not necessarily members of the family but mostly are Wenzhou dialect speakers. Therefore, the top management group network of Yahu consists of both close family members and non-family members. However, change of shares and control of the firm is tightly held by the couple of husband and wife.

4.3 Organizational Structure

4.3.1 Structuring of Activities

Probably due to the importance of matching skills with specific equipment, the division of labor has been very often taken notice of within Yahu. The president Mr. Chi holds that the issue of division of labor is crucial for the improvement and security of the firm's performance.

As the president described:

"… In my opinion, it is better to accommodate the staff with necessary machinery, of which they are acquainted with the use. Take the making of automobile for instance. A wealth of skills, employed in coordination with appropriate machinery, are required to build an automobile. Automobile makers are always organized with one stamping

auto parts out from a variety of raw material, another welding a large number of components together, a third responsible for painting these auto parts, and a fourth assembling a car. In this manner, the important business of building a car is divided into about four different operations, all implemented by different hands. By the same token, in my firm, the staff are generally given a single repetitive task in order to produce outputs more uniformly and more efficiently."

It can be seen from the above statement that Mr. Chi commonly gives highly specialized task to those who are expert in a certain skill to run the suitable equipment related to their skills, especially in production department. There are primarily six workshops comprising the production department, including mold manufacturing, stamp, injection, assembling, cold heading, and machining shops. It is difficult for a workman to jump from one broad task to another among distinct workshops, where different skills are involved. This point was also mentioned by employees.

An employee commented:

"I am working in the stamping shop. My task is to use the press tool to process the metallic material, stamping it into the required shape and size. The same process is to be repeated day-in and day-out even minute-in and minute-out… I don't have to think about the issue of administration. It is the president or senior managers that take the trouble to keep everything in order. What I need to do is just to try my best to perform the narrow-scoped task. It is the nature of my job."

The above quotes illustrate that there is clear division of labor as well as relatively high degree of specialization in Yahu. As is known to all, all individuals have limited cognition, and under the most circumstance they can only deal efficiently and effectively with comprehensible parts of a broad task. If an employee has not been educated to the peculiar business, nor could he/she be fully acquainted with the machinery employed in it. There is no doubt, therefore, that it would take quite a while for the staff to accustom themselves to the new machinery belonging to another workshop when they move from one section to another.

4.3.2 Founder Centrality

In Yahu, there is very little participation of the staff in the process of decision-making. The responsibility for decision making and strategy formulation, by and large, rests on the president and line personnel. Generally, after consulting with middle-line managers, the president is the person who wields the power over all the important decisions. All the staff falling under him are obligated to report to him.

The president commented:

 "Admittedly, I have a very wide span of control over decision making. But this is not to contend that I refuse to believe in my own staff, nor that they tend to do something to the detriment of the company. I do have a lot of trust in my staff. In the meantime, I have to make it clear that I do not trust them well enough to let them run the business, or run departments in the business."

It can be inferred from interviews that the founder Mr. Chi is particularly centralized in the administration of the family business. Despite the fact that he trusts his people, Mr. Chi contends that there is a sine qua non for delegation or decentralization of authority, with the need increasingly felt for delegation. That is, the president wants to rest assured that the authority delegated will be exercised within certain regulated boundaries, and with some defined discretion. In general, the higher degree of structuring of activities, the more delegation will be made within the organization. Nevertheless, it is not the case in Yahu. With the family business relatively structured, the path of making decision is still highly centralized without delegation.

4.4 Organizational culture

4.4.1 Benevolence

One of the core virtues – Ren – is applied well in Yahu, and is deeply embedded in the organizational culture. Often translated as human-heartedness, Ren refers to humanistic love which embodies benevolence, human reciprocity, and sense of community. Against individualism, it suggests that people have to live together hopefully, even lovingly (Carmody and Carmody 1983). It is not only necessary but also important for individuals to develop their instinctive benevolence, always putting themselves in another's shoe. Benevolence is commonly associated with compassion and treating everyone well (Redding 1993; Fan 2000). As a Confucian doctrine for loving and caring for people, benevolence is identified in the interview with the general manager of Yahu, as well as in those interviewed staff's description of their boss.

In terms of paternalism, the president pointed out:

"… I insisted in feeding my own staff in the plant cafeteria at the very beginning when I set up Yahu… Furthermore, I'm in favor of company-sponsored social events, such as parties, picnics, excursions, and the like. For example, we hold a banquet for our staff each Chinese New Year to feel close with them like a family. From my point of view, this kinds of events are conducive to produce greater cohesiveness among the staff."

Apparently, the president treats all the staff as his family, and tries to provide happy employment for them. He cares about his people, not only their work or performance but also the quality of their life. It is a case in point to provide the staff lunch for free in the plant cafeteria. The provision of lunch can help to determine the nutritiousness of their food. As mentioned by some employees as well, they really enjoy the lunch since it not only offers lots of convenience, but makes them feel at home.

In terms of sympathy, a participant employee described:

"… I admire her (the treasurer, called *Laobanniang* in Chinese, means the wife of the boss who is in charge of the firm as well) a lot … you know, at the end of last year, the whole of the firm was extremely busy, of course including my department… However, at such a crucial moment, my wife got acute appendicitis in dire need of a surgery. And we have two little daughters to attend to… While I told her my situation, she insisted my going back home to look after my family. Later she even came to visit

my wife at hospital. I really appreciated it, the kind of caring that has a shaping influence on me."

It can be inferred that the financial manager, the wife of the president, is so thoughtful and considerable that she always put herself in another's shoe. Rather than simply doing exploitation of the staff, she has a lot of sympathy for those who are in trouble and then gives them a hand in time, including both relatives and non-relatives. In a word, the couple of husband and wife, both of who acting as leaders of Yahu, care for the well being of their staff.

4.3.2 Harmony

As reported by respondents in this study, the boss (including both the husband and wife) committed to establish a well-developed system of ethic and moral values for interpersonal relationships, with the aim to keep relations smooth and avoid confrontations. Such descriptions thereby indicate that harmony, pertaining to relationships among people, is another value residing in the organizational culture of Yahu.

In terms of importance of human factor for the firm, the president commented:

"I never suspect the point that human factor plays a pivotal role in an organization, even though the sole objective of management should be growth and profit. At least it applies in Yahu. My wife and I set up this firm from only eight people at that time, so our success is more or less built on the people… I tried to make friendly relationships

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with the staff in the company. For example, I am very glad to be invited by whomever to celebrate and enjoy a special occasion like birthday, new baby, new house, and so forth."

From the above comment, it can be inferred that the president is clearly aware of the significance of human factor. Probably, that is the reason why he pays a great deal attention to the interpersonal relationships between the staff and himself for good working. He cares about fostering a harmonious workplace, in which all his people can enjoy their jobs. Therefore, the sharing of personal information, such as occasional conversation among coworker about personal interest and activities, is not seen as a problem in Yahu. Conversely, it is often encouraged as a way to develop better working relationship by provide opportunities for the staff to bond with one another.

In terms of the principle of doing business, the treasurer commented:

"… With the firm's important positions mostly held by family members, it is important to handle the stuff not only between those outside the circle of family, but also within the family members. In most cases, when confronted with mistakes the staff did, I would think about avoiding disciplinary confrontations in the first place… Quite often, I tried to use indirect or indirect language to preserve the face of my associates who were supposed to be criticized."

It is observed that the treasurer prefers to use ethic and moral values as a conduit for keeping superior-subordinate relationships smooth. In the administration of the

business, she adheres to the principle about trying first to make the mistake sound less serious and then to reduce it to nothing at all.

As described by an employee:

"… It is regulated that all the staff in the company should be addressed as 'associate' rather than 'employee'. The president even developed a reward and punishment system about it. No matter when and where once an individual finds he addresses the staff 'employee' or 'laborer' (*Dagongzai* in Chinese), he/she can receive 10000 RMB as an award on the spot. Until now, however, nobody got the opportunity to win the prize."

There is no doubt that the reward and punishment system conveys the sense of the president's strong intention in his work to maintain harmonious relationships among the staff. The regulation that all the staff should be addressed as 'associate' instead of 'employee' makes the staff feel valued to some extent. In this way, it is likely to create a fair and harmonious atmosphere in the company, which is conducive for superiors to communicate with their staff.

Chapter Five: Case Study of Ruian Huaguang Warp Knitting Factory

5.1 Company Profile

Belonging to textile industry, Ruian Huaguang Warp Knitting Factory (Huaguang) set up in 1986. Since the textile product, especially warp knitting products, are increasingly utilized in a wide area, involving fields of wind power, the aerospace industry, manufacture of automobile, and the like, Huaguang started to engage in the automotive industry afterwards in 1995, with the business scope extended to the production of warp knitting and weft-knitting fabric. The leading products of the factory are used for upholstery fabrics of automotive vehicles. Over the recent years, Huaguang introduced advanced production facility and technical equipment abroad to update its production lines, ultimately meeting increased demands.

5.2 Family composition of Huaguang

In a similar way to the process of controlling in Yahu, the virtual decisional function in Huaguang is located at the top level of the authority structure. Mr. Ye, the president of Huaguang, is in charge of making all decisions and holding the whole systems together. Both his relatives and those who are not necessarily members of the family hold other management positions below him, mostly close friends. In addition, the rules and regulations of the company highlight the patriarch's authority as well. It

accords well with expectations of a paternalist system, in which the family business is by and large headed by a dominant paterfamilias.

5.3 Organizational Structure

5.3.1 Structuring of Activities

It seems that specialization, standardization, and formalization, the major dimensions of organizational structure, are not evident in Huaguang, representing the extent to which Huaguang is organized. In Huaguang, there is hardly a well-developed system allowing employees to focus on specialist activities. Nor are there sets of guidelines designed by somebody for the staff to follow. Therefore, the boss Mr. Ye does not have to elaborate structures to control subordinates' discretion since he retains the complete say-so in everything.

The workshop manager presented a comment as follows:

"… As far as I am concerned, the work flow in Huaguang is sort of flexible… what I mean is that the operating job here is relatively interchangeable. For example, when there is a shop in terribly busy with more workmen required to accomplish the task, the staff from other shops could be transferred to this shop… Additionally, almost everyday he (the boss) will walk around workshops, and often engage in conversation with machine shop mechanics so that he can be informed of important events happened in shops… Sometimes he would be informed of a machine breakdown even before the shop superintendent is advised."

Roughly speaking, a conclusion can be drawn from the above quotations that there is a low degree of structuring of activities in Huaguang. The president has gotten into the habit of visiting the workshops quite often so that he can keep himself well informed of any kinds of events. It seems that, as the shop foreman, who gave the above comment, his job is merely to convey the information from the president to the shop floor and then report to him what he know. The president tries to keep everything under his tidy control.

5.3.2 Founder Centrality

Acting as the father of a family in the relatively unstructured company, Mr. Ye has a very wide span of control. From his point of view, all employees fall under him and they should report to him. It is rare for him to distinguish very clearly between the relative levels of authority. He would tell the authority order of the structure only when asked about the relative positions of authority. In the circumstances, communication flows informally within the company, most of which are linear and one-way between the boss and everyone else. Furthermore, most communication paths from members to members have to flow through the central position of the boss. It suggests a high betweeness network position in Huaguang, where the founder has that much discretion and can directly control the agenda.

An employee described:

"He (the president) is deeply immersed in the minutiae of the firm's daily operations. It is not rare to see the boss visits the workshops almost everyday early in the

morning… As the steersman of the corporation, he knows not only what we are doing but also what we heading for … I can say he is a decisive and visionary leader. But more often than not he is too decisive and confident to give ear to any suggestions from us, especially those who are neither relatives nor his close friends. I don't say it is always the case but this does happen sometimes. I have seen it."

It is apparent from the above quotes that Mr. Ye keeps close watch on all of the employees, and that he is the only person who is responsible for making strategic, administrative and operating decisions. Quite obviously, this style of decision making would lead to distancing between the ranks. In addition, the process of decision-making is inclined to be intuitive and non-analytical, hence a high degree of uncertainty. To some extent, it is in accord with the kinship effect discussed in literature review, putting the logic of detached decision-making and impartial authority at risk.

5.4 Organizational Culture

5.4.1 Loyalty

As the interviewees imply, there is too much loyalty to the boss, which is largely because of the conformity orientation within the company. The overwhelming impression is that the staff would naturally take commands from the highest level of authority, that is the boss, the real owner of the company. Even though sometimes the lower level are told to do something by other managers and they know that is probably the right track, they would still look towards the boss rather than the

manager. In a word, there is accustomed loyalty and obedience among the staff to the boss. This is probably due to the fact that the boss is the person who heads the business and is able to come back and overrule the managers. The loyalty to the boss is more or less strengthened by Confucian veneration for the old and deference to authority, and emotional aloofness with those outside the personalistic circles of family or clique.

The boss commented:

"… Maybe you are thinking about I am the kind of boss who hoard power and dismiss the standardization of procedures and formalization of behaviour as an infringement on my right to rule by fiat. I must admit that it would threaten the hierarchy if allowing the subordinates to participate in decision-making. It should be noted, however, that it is not only because of me hoard power, but also because the staff lavish it upon me… Of course, I am entitled to do my utmost to earn as much as benefits for my people as possible… I mean, in a sense, I am obligated to attend to my staff. Otherwise, who will listen to me and work for me?"

It can be inferred from the conversation with Mr. Ye that employees have already gotten accustomed to the status quo with the responsibility normally resting with the boss. They respect and trust him. Hence they render obedience and loyalty to him. Loyalty to the boss is regarded as the key to earn the boss's recognition in Huaguang. On the other hand, with the power lavished on him, the president has to assume the corresponding responsibility to take care of his staff.

5.4.2 Being Observant

In Huaguang, there is less communication as a side effect of the paternalistic organizational climate, where emphasis is placed on the patriarch's authority. It is said that sometimes the president just deliberately leaves little hints without being explicit in order to test employees. It would be pretty stupid if one still asks the boss about what to do, or does not notice at all until the boss tell him/her to do certain things. Therefore, it seems that loyalty alone fail to add employees any credits. Besides, workers need to be very observant. Those who are smart learn to observe and feel what the boss expects of them, and then to exhibit capabilities of raveling out difficulties. Moreover, in order to earn recognition of the boss, employees in Hurguang are encouraged to work more and talk less, much less flattery, an important values as well embedded in the organizational culture.

In terms of communication, an employee commented:

"… communication… it is a less talked-about topic or skill. We used to look at the face of our boss, observe the little actions he does, and then pick up the hints. Once he (the boss) makes a decision, we tend to agree, and follow it without any question. Otherwise one may lose job. It is better not to let him know that you have some other ideas about his decision."

Under the circumstances, what is not said seems more important than what is said, and it is rather important for employees to be very observant. This is said to be the highest art of leadership and management. However, it appears that employees are put

in a role where they are always trying to please the president. Submissiveness, therefore, is deeply embedded in the organizational culture of Huaguang.

Chapter Six: Case Study of Zhejiang Lianda Chemical Co., Ltd

6.1 Company Profile

Founded in 2001, Zhejiang Lianda Chemical Co., Ltd (Lianda) specializes in chemicals, with potassium nitrate for industrial use as its leading product. The year after, the production of potassium nitrate granular in Lianda was identified as the major high-tech project in Zhejiang province for applying the high and new technologies in production and industrialization. The potassium nitrate output of Lianda ranked the second compared to those in the same industry. Lianda committed itself to promoting technology innovation, and to propelling industrialization in chemical industry. In addition, the company has succeeded in building up partnership with some universities and research institutes, aimed to make the technical know-how keep up with the ever-changing society.

6.2 Family Composition of Lianda

Lianda is owned by four brothers of Yu lineage. As the eldest brother, Yu Ronghua heads the company, acting the role of president of Lianda. The rest three brothers hold other major management positions at very senior level. The second-elder brother holds the post of managing director; the third one takes care of Lianda's general financial matters; finally the youngest brother is responsible for the management of sales department. Other departments, production and technical departments, are

managed by professionals who are not necessarily family members. Whilst the professional non-lineage managers are recruited to run the crucial business activities, closely related to the production of products, the company's key positions (such as general manager, managing director and treasurer) are controlled by the four brothers. There are also other family members working in Lianda, such as their uncles, cousins, nephews, and so forth. However it should be noted that the four brothers are the primary family composition of leadership in Lianda.

6.3 Organizational Structure

6.3.1 Structuring of Activities

According to the interview transcript recorded during the fieldwork, there is clear role specialization among all the staff in Lianda, ranging from the senior level to shop floor. The majority of the staff, although by no means all of them, can get on with their work well without being told what to do.

The president commented:

"… you know, it is not possible to tell each worker what to do in a firm with more than 200 staff. Allocated a single, regular occurred subtask, they (employees) are capable of accustoming themselves to and specializing in it. For example, the personnel manager focuses his attention directly on recruitment, training, classification, and other personnel operations. There is no need for him to pay heed to the purchasing, planning, accounting, or operative functions in the meantime."

The above quotes illustrate that there is a clear task distribution in Lianda. The clear division of labour is badly needed not only for the purpose of saving time lost in switching tasks, but also for increasing productivity, both of which is of important significance for the company's performance. For this to happen, the president is required to elaborate structures to control employees' discretion. To sum up, there is a high degree of structuring of activities in Lianda.

6.3.2 Founder Centrality

It is generally the case in the majority of the enterprises in Wenzhou that a boss retains the complete say-so in everything. The boss makes decisions; the staff agree and put them into practice. This is a rather traditional but also a preferred way of organizing the business; Lianda is no exception. Mr. Yu, the head of Lianda, is well connected to other managers who are central in the top management group, including both members of the Yu lineage and professionals not belonging to the family employed to manage the business sections. With his values and perceptions dominating the thinking of other managers, he is highly influential in decision making among the broad network of managers.

In terms of centrality, the president commented:

"… Given the rising subordinate expectations about participation, we (the four brothers) have tried to leave decision-making as an open affair with subordinate participation, which would make them feel the right to become involved. Despite that,

it turns out that old habits die hard. Undoubtedly, there is responsibility to take on which goes with the authority delegation. But many more subordinates seem to be reluctant to accept the responsibility corresponding to their participation. Thus the process of transformation broke down… We are still in charge of most of the decision making."

6.4 Organizational Culture

6.4.1 Learning

Confucius accords high importance to wisdom, and advocates the need for learning to build up one's knowledge (Pan and Yu 2001). Therefore, Learning can be viewed as one of the core practices underpinning Confucianism. Elicited from respondents' descriptions, learning is one of its most deeply embedded features underlying the organizational culture of Lianda.

The president pointed out:

"… In China, there is an old saying that an individual will gain access to wealth, highly-paid jobs and beautiful women that enable one to live a better life as long as he/she studies hard. Put at its simplest, it tries to tell people that reading brings everything to those diligent learners. This is my favorable motto, acting as a spur constantly encouraging me to keep on learning and studying… I have enrolled myself as a part-time MBA student in the Business School of Renmin University. And I also advocated all my staff to advance their study in their spare time."

It can be inferred from the above comments that the president carries considerable weight in the importance of creating a learning organization to survive in today's rapidly-developed market. Undoubtedly, the last few years have witnessed great technology innovation occurred each area in the world, with no exception in chemical industry. The president paid a great deal of attention to organizing various training programs, with the intent to improve technical and business skills of his staff. Besides the president, other respondents in the study also agreed on the importance of learning, and reiterated that learning was one of the core component of the organizational culture in the company.

An employee commented:

"… A case in point is that they (mainly refer to the four brothers in charge of the firm) committed to building up partnership with some universities and research institutes in order to update their knowledge and keep up with the ever-changing chemical industry… He (the president, namely the eldest brother) even took the initiative and engaged in an MBA study in Renmin University."

We can observe that the four brothers strive to put the Confucius tradition about adoration of learning and advocating for education into effect in Lianda. They aim to foster a workplace ambience that everyone is willing to learn from each other or someone else to do a good job, hence facilitating the company to be successful.

6.4.2 Equity vs In-group Bias

There is no doubt that the kinship relations within family businesses tend to draw a boundary between ingroup and outgroup members. As discussed in literature review, with emphasis put on people instead of task, leadership in Chinese family businesses proves to be more inclined to pay heed to interests of in-groups, which is largely due to the deeply embedded collectivistic cultural value orientation in Chinese society. Nevertheless, what this case study has found out does not go consistently with the social convention derived from the traditional cultural frameworks. At the very least, those employees interviewed do not complain about any unequal treatment by their boss. Such descriptions thereby suggest that subordinates are treated equally in general no matter who you are, members or relatives of the family or not.

The president commented:

"… As the company grows, you know, the need is increasingly felt for managing the company like a company rather than a family. With rules and definitions clearly stipulated, all the staff are required to behave in conformity with management rules and regulations… It does not come as a surprise that kin will be deprived of priorities when they go against rules and regulations, even those close lineage members. For example, my uncle was sacked for mismanagement, which incurred losses of some company funds."

The above comments show that the four brothers, trying to avoid nepotism, favoritism, or personal feuds holding sway, has taken measures to put the equality into effect. It is said that, in the infancy, the four brothers built up this firm highly reliant on kin, with

the employment of close lineage members holding the majority. Due to the utilization of familial approach to run the business, nepotism has penetrated nearly all aspects of the firm's management. However, as the business evolves and develops, they are conscious that there is the need to get the priorities right from a business case point of view. Accordingly, they encourage and advocate equity for the sake of the firm.

An employee commented:

"… Here is an example. When my manager (sales manager, namely the youngest brother) found out that his uncle who acts as a supervisor in the sales department gain personal profit from firm's transactions, he decided to dismiss his uncle from his post. More importantly, this decision was also supported by the president (his eldest brother). It was a really impressing behaviour, because you know, he kind of put himself at risk of being criticized for disrespecting the old."

To sum up, the four brothers have struck a careful balance between those within and outside the circles of family or clique. It is generally accepted that there is hardly absolute equality in family business. Nevertheless, all the respondents agree that their managers treat them equally without discrimination in general, which can be seen from the above comments. There are systems of awards and punishments rigorously carried out in Lianda regardless of the employees' relationship with the manager, members or relatives of the family or not. All the staff should keep the rules strictly for reward and punishment.

Chapter Seven: Discussion and Comparative Analysis

7.1 Introduction

The purpose of this chapter is to provide a comparative analysis and discussion of the findings obtained from the 12 semi-structured interviews, which were undertaken with participants from three family businesses in Wenzhou, China. In the previous three chapters, the findings of each case studies have been organized into two categories – organizational structure and culture – identified at the outset and developed throughout the course of interviews. These two themes are important parts of organizational configuration. The findings of the three case studies could be summarized in a table as follows.

Company Name	Kinship Relations	Organizational Structure		Organizational Culture
		Structuring of Activities	Founder Centrality	
Yahu	Husband & Wife	High	Closeness	• Benevolence • Harmony
Huaguang	Father	Low	Betweenness	• Loyalty • Being Observant
Lianda	Brothers	High	Connectivity	• Learning • Equity

In terms of organization structure, the data were mainly coded into two themes – structuring of activities and founder centrality. With respect to organizational culture, as discussed in the chapter of literature review, family business culture is primarily pertaining to the local community's culture. That is to say these three family

businesses, operated in the context of Chinese society, are bound to influence by the local culture – Confucian ideology. Nevertheless, because of different kinship relations engaging in leadership pattern or behaviours, family businesses tend to be characterized by distinct stress on ruling with ethical virtues originated from the Confucian ideology, such as benevolence, harmony, righteousness, loyalty, and learning (Jin and Liu 1992; Pan and Yu 2001). Based on the findings of the study listed in the table above, this section aims to address the research questions, exploring the mutual relations between leadership composition and organizational configuration.

7.2 Organizational Structure

7.2.1 Structuring of Activities

Evidence suggests that there are differences as well as similarity among these three family businesses concerning the structuring of activities. We can observe that there is a low degree of structuring of activities in case two Huaguang with the father alone engaging in leadership. Acting as the president, the father is more likely to tell people what to do and retain the complete say-so in everything, without clear division of labor and job specialization within the company. On the other hand, the other two family businesses Yahu and Lianda, left by husband and wife and four brothers respectively making up the leadership composition, share the common feature in this point. Both of them tend to have the behaviour of employees overtly defined and have work systematically designed. They prefer to allocate tightly defined roles to the staff. As the major dimensions of organizational structure, specialization, standardization,

and formalization are manifest in these two family businesses. In a word, there are a relatively high level of structuring of activities in Yahu and Lianda.

The discrepancy among the three cases illustrates that different kinship relations constituting the leadership of family-controlled businesses do exert some influence on the structuring of activities. Furthermore, it seems that, besides the dynamic of kinship, some other objective factors might contribute to such a discrepancy as well, such as specific institutional settings. Nadler and Tushman (1988) hold that the size and scale of an organization is a crucial factor affecting the structuring of activities. To be specific, in organizations of middle or large size and scale, there are always people designing systems for employees to concentrate on specialist activities, lying down a set of guidelines for others to follow, and designing paperwork system to keep track of what is happening. To some extent, all these managerial activities are highly defined and organized. By contrast, in small-sized organizations, managers tend to follow the tradition pattern and keep everything within their span of control. However, it seems that retaining the complete say-so in everything without clear specialization may lead to management chaos or a sharp dip in the management efficacy in middle or large-sized organizations. Therefore, in this study companies like Yahu and Lianda, both of which have more than 200 employees and require complex levels of technology and management, prefer to divide labor into different tasks and distribute official duties among a number of positions, with the ultimate aim to increase productivity and facilitate standardization.

7.2.2 Founder Centrality

It is observed from the findings that there is little distinction among the three cases regarding the founder centrality. All of the founders in the sample considered have a very wide span of control over decision making and strategy formulation. Nevertheless, slight differences can be found about the role of founders in top management group network according to the major dimensions of founder centrality. Described as the second dimension of founder centrality in the literature review, founder closeness is manifest in the first case Yahu. As the founder, Chi Renhu is close to the company's top management group members through direct or indirect communication skills. He is capable of efficiently reaching other group members to disseminate information, and further minimizing his dependency on their visions and opinions. In other words, other managers are dependent on Mr. Chi for decision-making. On the other hand, Huaguang displays a high level of betweeness, with the flow of the information always passing via the central position of the president. Possessing that much discretion, the founder, also the incumbent presidents of Huaguang, can directly control the agenda, hence exerting absolute control over his staff. Lastly, evidence suggests that there is high level of connectivity centrality in case three Lianda. The president is well connected to other managers who are central in the top management group, including both members of the Yu lineage, his three younger brothers, and professionals who are not necessarily members of the family. He is capable of dominating the thinking of other managers by diffusing his values, propensities and operating rules throughout the managerial network. As a result, he succeeds in establishing his own strategic vision among the top management group members. All in all, there is a clear manifestation of founder centrality in all of the three family businesses – reflected by high betweenness, closeness, and connectivity.

With the location of virtual decisional function at a central individual or a limited number of family members among the top managers, all of the three cases exhibit a high power distance within organizations, which reflects their beliefs in the legitimacy of power inequalities between superior and subordinates. The leaders have a great deal of power over their subordinates in making decisions; subordinates defer to power. This phenomenon is consistent with Hofstede's study about the identification of power distance in Chinese societies, which has been mostly discussed in the section of leadership in Chinese family businesses. In a Confucian setting, the structure of Chinese family businesses is predominantly in vertical terms on the grounds of the respect for vertical order in the family context (Bond et al. 1985; Redding 1993; Leung et al. 1997).

Generally speaking, a high degree of structuring of activities usually goes with low centralization of decisions, and vice versa. Obviously, Huaguang is a case in point. Nevertheless, it is not the case in Yahu and Lianda. With the business activities overtly defined and well structured, the path of making decision in these two cases still highly centralized without delegation. Presumably, the centrality of the founder's role in family businesses is crucial for stability and flexibility since the centralization of power allows for rapid response. However, it appears that those founders who are very central – reflected by high betweenness, closeness, and connectivity – are inclined to be less reliant on formal managerial tools such as strategic planning model (Kelly et al. 2000). In addition, as discussed in the section of 'the kinship effect', the involvement of family members in leadership is likely to put the logic – detached decision-making and impartial authority – at risk. There is strong possibility that the process of strategy formulation and decision making tends to relatively thrive on

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uncertainty and convenience. Not necessarily accurate, it could be labeled intuitive or kind of non-analytical. Rarely made explicit, those resulting decisions or strategies reflect the leader's implicit vision of the place of the company in its environment, more often than not an extension of his/her own personal beliefs (Mintzberg 1979). Therefore, it seems that delegation of power at an acceptable level would be helpful for leadership effectiveness in family businesses.

7.3 Organizational Culture

In terms of the organizational culture, it is apparent that there is something in common among the three cases. Congruent with the national culture, all of the three family businesses are deeply influenced by the belief system of Confucianism. In spite of the similarity, they are characterized by slightly different emphasis placed on ethical virtues originated from the Confucian ideology. Confucianism advocates benevolence, harmony, loyalty, humility, righteousness, and learning. Admittedly most of these Confucian ethical traits are parts of the Chinese make-up. However, individuals have their own opinion and comprehension of Confucian moral ethics, which serves to steer their behaviours.

In case of Yahu, where the leadership composition consists of the couple of husband and wife, benevolence and harmony is accorded relatively high importance. There is clear evidence that the couple prefer to run the family business like a family. They always put themselves in another's shoe, hence cultivation of benevolence to the staff. In Yahu, benevolence manifests itself in a variety of ways – managers' sympathy, loving and caring for their employees. For instance, they set up a cafeteria within the

company so that they can feed their own staff in the plant cafeteria. It not only shortens the lunch period, but also helps to determine the nutritiousness of their food. Additionally, the couple of husband and wife often advocates and participates in the sharing of personal information – as leadership tool as well as morale booster. The holding of company-sponsored social events allows the staff to bond with one another in ways that translate into better working relationship. Furthermore, being approachable, the couple considers relational harmony as key to maintain an amicable relationship with their staff as well as to foster a good working atmosphere. Quite different from the family business with the leadership made up of father alone, where communication behaviour is kind of unwelcomed and rarely occurs, Yahu encourages communication among the staff. It should be noted, however, that communication between leaders and followers in Yahu is exhibited in a unique way with indirectness involved for the sake of harmonious workplace and teamwork efficiency. In conclusion, the strong harmony-seeking and conflict-avoiding tendency is manifest in the organizational culture of Yahu.

With respect to Lianda, four brothers together founded the family business and were in charge of it until now. Evidence suggests that they lay great emphasis on the importance of learning in order to cultivate themselves to benevolent leaders. They believe in what Confucius advocates in education. That is, by nature, men are alike; it is only through learning that they become differentiated from the rest (Wong 2001). The Confucius tradition about adoration of learning and advocating for education is fully applied in Lianda. There are a variety of representations, such as the company's building up partnership with some universities and research institutes, the president's enrolling in part-time MBA study and organizing various training programs for the

staff. Besides, well aware of the point that in-group bias, the taken-for-granted side effect of kinship dynamics, is very likely to hurt the subordinates' feelings and even discourage their work enthusiasm, Lianda pay serious attention to avoid the occurrence of in-group bias. The four brothers emphasize the importance of equity for the good of the leader-follower relationship. As has been discussed in the literature review, confrontation is liable to occur in family business with kinship relations involved, such as sibling conflict. In case of the four brothers together as a whole to run a business, there is a relatively high potential risk of the occurrence of sibling conflict when confronted with unequal distribution and treatment or in pursuit of differing goals. In order to avoid the conflicts, they endeavour to connect to each other based on the common goals. Therefore, equality is used as a conduit for efficiently achieving this end. The findings show that not only the president but also those respondents below him express an aura of equality rather than in-group bias, a fair working relationship rather than kinship-oriented treatment in their daily work intercourses, which appears to be kind of inconsistent with the social convention derived from the traditional cultural frameworks. It seem that such distinction in the organizational culture from the other two family businesses could be justified by factors like leaders' age and educational background in addition to the composition of different kinship relations in leadership. First of all, as heads of the business, the four brothers are all around 30 to 40 years old, a generation heavily influenced by the implementation of the Open-door policy in China. It is undisputed that, compared with previous Chinese generations, like leaders of the rest two family businesses with the age around 45 to 55, this generation has been subject to the unprecedented economic changes and the increasing influx of western cultures in the Chinese society. Not surprisingly, a westernization process can find its manifestation in those people's

belief and values of work. The widespread use and application of western concept like equity is more or less a case in point. Secondly, it is reported that all of these four brothers hold at least university Bachelor degrees, which enable them to expose themselves to western managerial theories and practice. Thereby, as their leadership transforms from a traditional autocratic and paternalistic style to a relatively democratic western style with involvement of more equity and less issues of kinship, the organizational culture of Lianda is bound to be influenced and developed without question.

Rather than managing the company like a company, Mr. Ye who acts as the father of the company is argued to run the business like a family. According to interviews, the familial approach, especially nepotism, is widely applied in Huaguang. As a consequence, it is inevitable that there are employments of family members in the firm, such as cousins and nephews. However, with management of the business in accord with a paternalist system, Huaguang is headed by Mr. Ye, the dominant pater familias deeply immersed in the minutiae of daily operations. Unlike the four brothers of Yu lineage, whose leadership is increasingly influenced by western managerial theories and practice, Mr. Ye still insists in the traditional autocratic and paternalistic style with high power distance involved. He exhibits very strong beliefs and values on conformity and submission within an authoritarian and hierarchical system. For example, communication, to some extent a western concept, has never been a Chinese concept in Huaguang. As an interactive event, communication occurs infrequently among the staff. There is always linear, one-way communication between the president and employees if any. It suggests that the staff, who are or learn to be very observant, have been used to listen to their superiors. In this regard, the unquestioning

obedience is viewed as loyalty to their boss. This phenomenon is consistent with the Chinese cultural characteristic about what Confucian described as family social structure. By convention, in Chinese family, an individual always has to hold their parents and all elders in great esteem and normally worship them, encompassing the uncles and the like. This is what Confucianism called filial piety, the basic building block of the Confucian family social structure (Redding 1993). It is apparently that this tradition is deeply embedded in the organizational culture of Huaguang. There is the natural obedience to the guidelines from someone higher up because of the sense of vertical order. What's more, unlike the couple of husband and wife, stressing the importance of loyalty in maintaining harmonious leader-follower relationships, Mr. Ye expects the subordinates to exhibit loyalty in conformity, which is largely based on filial piety. Perhaps not surprisingly, employees also accentuate the significance of maintaining good and close relationships with the boss in order to earn more favourable treatment. It can be inferred, therefore, that this kind of leadership composition, focusing on interpersonal relationships about obedience and loyalty, is likely to bring about in-group bias, with out-group members walled off as outsiders.

Chapter Eight: Conclusion

As the foundation of the nation's economy, family businesses have significantly contributed to GDP and employment in China (Lan 2002; Wang 2002). However, in today's competitive and extremely turbulent financial market, the Chinese family business is confronted with the challenge of survival. The need, therefore, is justified to elucidate the dynamics of kinship in Chinese family businesses where family members' involvement is widespread and vital in the business. Is the kinship relation existing in family businesses, especially leadership composition, for the good, the bad or neither? Understanding the influence of leadership composition on organizational configuration would be important for management scholars and business entrepreneur alike.

8.1 Brief Summary of Results

This study shows that, no matter what key family members engage in the leadership, there is a common feature among these three family businesses regarding the organizational structure – that is founder centrality. With the vertical relations precisely defined between superiors and subordinates, each firm has the decision made by those hierarchically privileged, normally the president. As for the three case organizations, the presidents are also founders of each firm. They exercise the power, and simultaneously take on the responsibility to make decisions, which is not left an open affair in all of the three cases. For the many subordinates, founder centrality is accepted and maintained at all levels of the hierarchy; they clearly know their own place and whom they must defer to in the firm. This phenomenon is consistent with

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the leadership behaviour in Chinese family businesses – high use of authority power without inviting the participation of their subordinates in decision-making.

Besides the similarity, the study indicates that there are indeed discrepancies concerning the impact of kinship relations on organizational configuration of family businesses. In terms of organizational structure, both the four brothers and the couple of husband and wife put emphasis on arranging and organizing the structuring of activities, such as specialization, standardization and formalization. Yet the structuring of activities is significantly underrepresented in the family business with father alone constitutes leadership composition, where the work flow is relatively flexible without strict adherence to labor division and job specialization.

With respect to organizational culture, there are obvious differences among the three case studies. The couple of husband and wife attach paramount importance to human relationships, with the aim to achieve harmony and integration. They are benevolent enough to allow employees to inject small dose of personal life into the workplace as long as their personal activities fail to influence their job performance or interfere with colleagues. Additionally, loving and caring for their staff, they spend time asking about the staff's family or recent holiday. Those employees, who feel valued, are likely to be more loyal to and cooperative with their boss. In this regard, the couple strives to foster a workplace where the staff work in harmony with each other. In a word, there is a strong belief of harmony-seeking and conflict-avoiding in Yahu.

As a main pillar of the family business with the father acting as the president, the value of Confucian deference and submissiveness to superiors is functioning to form

individual morality as well as to establish a hierarchical atmosphere in Huaguang. It is observed that the accustomed deference leads to the subordinates' obedience and loyalty to the boss, although the distancing between the ranks might be exacerbated. Furthermore, deeply convinced of the belief that few words are best, the father pays scant attention to communication among the staff. As a result, there is little room for employees to argue and disagree openly, and their job is to follow the decision made by their boss. It appears to be a taken-for-granted side effect of the paternalist system, with the business headed by the father – a dominant paterfamilias.

Unlike the previous two sorts of leadership composition, the four brothers who run the family business together as a whole integrate the Confucius philosophy of learning and equity into the organizational culture of Lianda. Instead of seeking harmony or avoiding disciplinary confrontations all the time, leaders establish a set of rules and regulations in company, with which their employees have to comply; and there is no exception for family members and those higher up in position. As the effect of kinship, it seems that sibling conflicts are very likely to happen in Lianda with key involvement of four brothers. Furthermore, as discussed in literature review, nepotism and favoritism occur quite often in the management of family businesses, which might result in in-group bias. To a great extent, that is probably the reason why leaders in Lianda advocate equity and strike a careful balance between family and non-family members, which is considered to be an efficient and effective way to avoid conflicts and to ensure impartial authority. Besides, it is also partly because of their age and education background. Influenced by both western managerial theories and Confucian ideology, they are clearly aware of the point that the company should be run like a company rather than like a family. Consequently, the values or beliefs of

learning and equity are embedded within the organizational culture of Lianda and serve to define the staff's moral code. All in all, this study, in some sense, presents a snapshot of both positive and negative impacts of kinship relations on organizational configuration of Chinese family businesses.

8.2 Limitations of the Present Study

Several limitations of the present study should be noted. First of all, there is a problem of bias in terms of the methodology employed in the research, which is considered to be a potential major weakness. The danger of bias stems from the use of interview as a qualitative method, which is usually viewed as a relatively subjective technique (Bell and Opie 2002). Admittedly, all respondents in this study were informed of the significance of offering objective comments, and assured of the protection of their confidentiality, especially those below the president. However, personal prejudice and emotional bias may still be involved. There is the probability that interviewees may decide not to disclose all issues related to research questions, or merely report what is good for the firm while concealing what is unpleasant, due to the feeling of awkward or the strain imposed by dominant groups in the organization (Clegg 1989). Such a bias is likely to make the information obtained from the respondents' comments the representation of hegemony. Measures need to be taken to alleviate the degree of bias.

Another difficulty the researcher facing was to transcribe the data because all interviews were undertaken in the context of the Chinese language. Despite of the painstaking effort taken to make sure of the authenticity and reliablity of the material, it might still involve errors when transcribing those data gained from interviews via

the audiotape into English written words. It seems not possible to find an exact Western counterpart of the slang, indigenous construct, oral expressions, or established phrases in Chinese to give a parallel, sort of language barriers.

Lastly, this study was conducted in Wenzhou, and was restricted to merely three industrial sectors – textile, chemical, and automotive industry. The outcomes, therefore, might not be fully applied to family businesses in other industries in China. In addition, the study was also limited in its focus on the effect of kinship relations at the organizational level, especially from the perspective of organizational structure and culture. It should be noted, however, that kinship relations are equally active and significant at the individual level, such as the leadership style.

8.3 Directions for Future Research

The limitations of the present study listed above require future studies to fill the existing research gap of leadership study in Chinese family businesses. The need is increasingly felt for more studies to provide innovate and particular insights into understanding the impact of leadership made up of different kinship relations on Chinese family businesses. Since this study was undertaken using only one methodology, there is a need to employ different research methods in order to examine and refine the standpoints proposed here (Spector and Brannick 1995). Given the lack of the diversity of the independent variable, although three kinds of kinship relations involved, it would be necessary to add variety to leadership composition so as to maintain the authenticity and reliability of the outcomes. Restricted to only three industrial sectors, this comparative studies need to be

improved by covering more industries, with the aim to fully grasp the complexity of kinship relations in Chinese family businesses. Besides, future studies need to take cross-cultural research to be able to properly assess the universality of the influence of kinship dynamics in leadership paradigm, hence the organizational configuration of family businesses. Finally, it seems that special concern should be directed to understanding Western people's perception of and attitude towards the dynamics of kinship in affecting Chinese family businesses at the organizational level.

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