FAMILY BUSINESSES IN CHINA: NEW OPPORTUNITIES, NEW CHALLENGES

By John A. Davis and William C. Kirby

Family-owned businesses are the backbone of the market economy, creating between 70 percent and 90 percent of global GDP per year, according to the Family Firm Institute. And while China’s international economic strength is seen as a relatively recent phenomenon around the world, the family business, central to Chinese commerce for centuries, has re-emerged to be at the core of an economy positioned to lead the world in this new global century.

So what are the opportunities and challenges for China’s family businesses in a new economy and social climate? This is a question that Harvard Business School, in partnership with the School of Economics and Management, Tsinghua University, will explore in a new program to be held at the Harvard Center Shanghai from October 16 to 19, 2011.

Family-owned companies around the globe face unique challenges as they navigate today’s highly competitive business environment, including developing the next generation and managing succession, governance, generational struggles around business strategy, building family professionalism, and preserving culture and values from one generation to the next. While Chinese family-owned businesses face many of the same types of challenges as other family businesses around the world, some issues are unique to China. This is in part because of the country’s history and also due to the uncertain regulatory and legal landscape.

According to research by the Zhejiang Chamber of Commerce, about 80 percent of private enterprises face succession problems. Private companies and family companies generally experience succession challenges and often are not prepared for these transitions, but 80 percent is a concerning statistic.

The small size of Chinese families—nuclear families are much smaller than they have ever been in China’s history—makes succession to the next generation easier in some ways and more complicated in others. The small nuclear family has encouraged the extended family members, including spouses, to fill key positions in the company. Nepotism can have advantages, but keeping an extended family disciplined and united in business presents a range of issues that must be addressed.

These challenges and many others that family companies naturally face can be overcome. The resilience of the Chinese family-business has stood the test of time over hundreds of years, and with the re-emergence of dynamic business organizations in China, the country’s family enterprises are once again booming. Today, China offers a renewed frontier for family owned businesses.
Harvard Business School and the School of Economics and Management, Tsinghua University, will host members of China’s family business community for a 4-day program, Families in Business—China (October 16-19, 2011), to prepare participants to identify and leverage business and family strengths and unlock value and family success in this new economic and social climate.

Incorporating thought-provoking lectures, case studies, guest speakers, and small group discussions, the Families in Business—China curriculum will explore four key areas:

**Dynamics of the Family Business System**
- Integrating the strengths of families and businesses
- Preparing for predictable stages of the family business system
- Developing constructive family-work and shareholder relationships
- Managing and resolving conflict within the business family
- Communicating effectively with family business members
- Balancing the financial needs of the business and the family
- Adapting the practices of successful family companies and business families

**Growing, Preserving, and Sharing the Wealth**
- Implementing strategies for growing the company and maintaining family control
- Distributing wealth and ownership to benefit both the family and the business
- Fostering healthy and productive children within a wealthy business family

**Governance**
- Developing effective boards of directors and advisory boards
- Organizing, developing, and sustaining the business family
- Creating policies and plans for the family’s involvement in the business
- Developing leaders in the family-business-ownership system

**Succession**
- Developing the next generation as effective managers, shareholders, and family members
- Managing ownership and leadership transitions
- Preparing the organization for future changes in management and ownership
- Taking charge and letting go of leadership responsibilities
The program will examine the management principles and best practices of high-performing family businesses in the context of Chinese culture. Case studies will offer attendees takeaways to improve their own family-owned businesses. Participants will review commonalities of family businesses throughout the world in order to compare and contrast the Chinese family business experience with that of international counterparts.

The program will also focus on unique elements of the Chinese business environment. What are the distinctive opportunities and challenges facing these businesses? What does a family need to thrive in the decades ahead? These are critical questions for the growth of China’s family businesses and the growth of China in the global economy.

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For further reading, please see John Davis’s *Generation to Generation: Life Cycles of the Family Business* and William Kirby’s *The People’s Republic of China at 60: An International Assessment*.

For more information about this program, please visit: [http://www.exed.hbs.edu/programs/fibch/Pages/default.aspx](http://www.exed.hbs.edu/programs/fibch/Pages/default.aspx)