

# Modes of Value Transfer in Chinese Family Business in Malaysia

Su-Hie Ting

Faculty of Language and Communication, Universiti Malaysia Sarawak, 94300 Kota Samarahan, Sarawak, MALAYSIA

\*E-mail for correspondence: [shting@unimas.my](mailto:shting@unimas.my)



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## ABSTRACT

The study examined the modes of value transfer from the founder to successors in Chinese family businesses. A case study was conducted involving interview with 19 members of 12 family businesses in business sectors including trading, shipping, timber, newspaper printing, entertainment, and construction. The results showed that value transfer begins even before the founder's descendants start full-time work in the family business, leading to internalization of values. When the founder's descendants begin working in the family business, explicit teaching and modeling of values occur, which reinforces values observed earlier. In some cases, values are reinforced through management policies that document the founder's values and best practices in conducting business. In most cases, the successors are scaffolded into how values guide business decisions when they work full-time in the family business. The findings offer novel information on the modes of value transfer in the Chinese family business.

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**Key words:** values, value transfer, family business, succession, Chinese culture

## INTRODUCTION

Succession problems in a family business often prevent the survival of family business past the third generation (Duh *et al.*, 2009; Kets de Vries, 1993; Morris *et al.*, 1996; Poza, 2010; Ward, 1987). A family business is defined as a business where at least one family member is in a management position, and multiple generations work in the company (Shanker and Astrachan, 1996). One of the factors crucial for continuity in intergenerational transition in family business is the transfer of idiosyncratic resources and tacit knowledge, and values is among these valuable resources. Studies have shown that positive values espoused by the founders are transferred across generations in family business in Western settings. The four common values transferred from founder to successor in family businesses are integrity, commitment, self-confidence and hard work (Arnonoff and Ward, 1995; Astrachan, 1988; Erdem and Baser, 2010; García-Álvarez and López-Sintas, 2006; Goldberg and Wooldridge, 1993; Haugh and McKee, 2003; Malone, 1989; Morris *et al.*, 1996;

Tokarczyk *et al.*, 2007). In Chinese family businesses, the founders also transfer particular values to their successors, such as the importance of trustworthiness (Redding, 2000; Ting, in press) and networking or guanxi (Faure and Tang, 2008; Lee and Chan, 1998; Tsang, 2001), putting family before self (Yan and Sorenson, 2004), diligence (Ting, in press; Weidenbaum, 1996), thrift (Wah, 2001), and self-discipline (Ting, in press).

Socialization is one of the modes of value transfer in family businesses (Dou and Li, 2013; García-Álvarez, López-Sintas and Gonzalvo, 2002; Whatley, 2011). "Brunaker (1996), Kets de Vries (1993) and Corbetta and Montemerlo (1999) have emphasised the founder's role in selecting and conveying to potential successors a set of well-established values as a way of facilitating a successful succession process and ensuring the future growth and success of the firm" (as cited in García-Álvarez and López-Sintas, 2003, p. 2). However, in the context of succession in family business, value transfer has been understudied compared to the preparation of heirs,