

# Adoption of Professional Management in Chinese Family Business: A Multilevel Analysis of Impetuses and Impediments

– Jianjun Zhang and Hao Ma

Family businesses in emerging markets are gradually beginning to transform themselves into professionally managed firms. In this process, family firms are regularly faced with the opposing pressures - those that propel towards the change and others that push them away from it. Jianjun Zhang and Hao Ma (*Professors at Peking University, Beijing, China*) conducted an in-depth study of the phenomenon in the emerging market context. The authors have developed an integrative framework on adoption of professionalisation by owners of Chinese family businesses. Their research draws some fundamental conclusions about managerial professionalisation of family business that may be quite relevant to other emerging economies.

## *Professionalisation - Impetuses and impediments*

In their research study, the authors identified a set of impetuses, i.e. stimuli that drive family businesses towards adoption of professional management and a set of impediments, i.e. obstacles that impair the adoption of professional management. Depending on their origin these impetuses and impediments were then grouped at the levels of Environment (external), Firm (organisational) and Individual (personal). These are explained as following –

	Environmental	Firm	Individual
<b>Impetuses</b> (Drivers of adoption of Professional Management)	<b>Market Imperatives</b> (i.e., the size, competitiveness and dynamics of market)	<b>Size</b> (i.e., size of the family business firm)	<b>Need for Achievement</b> (i.e., aspiration of business owners)
	<b>Industry Context</b> (i.e., capital/technology intensive or labour intensive industry)	<b>Market Scope</b> (i.e., the expanse or range of the market served by the firm)	<b>Prior Managerial Experience</b> (i.e., experienced owners)
<b>Impediments</b> (Constraints in adoption of Professional Management)	<b>Cultural Tradition</b> (i.e., stress on traditional conduct, lack of trust on outsiders)	<b>High Centralization</b> (i.e., high degree of centralization of power)	<b>Familism</b> (i.e., respect for family authority and hierarchy, loyalty, commitment and contribution to the family)
	<b>Institutional Force</b> (i.e., weak legal and market institutions, underdeveloped professional market)	<b>Low Formalization</b> (i.e., low degree of specialization, rule-based control and monitoring and written procedures)	<b>Lack of Social Trust</b> (i.e., low social trust on the 'out' group)

The authors found that at the **individual level**, a family member's need for achievement and business experience serve as drivers of professionalisation whereas a tendency to follow family authority/hierarchy and lack of social trust act as constraints in adoption of professionalisation.

At the **firm level**, large firm size and large market expanse drive professionalisation whereas high degree of professionalisation and low degree of formalization constrain adoption of professionalisation.

At the **environment level**, complex market dynamics, competitiveness and capital or technology intensive nature of the industry drive professionalisation of family business whereas strong cultural inclination of doing things traditionally and weak legal and market institutions act as constraints to professionalisation of family business.

### ***The Integrated Effects***

The authors suggest various possible configurations of the impetuses and impediments and theorize an integrative model for adoption of professional management by family businesses. They explain that family business governance evolves dynamically and professionalization of family business results from the interaction of impetuses and impediments. Authors explain that professional management will not occur unless the overall driving forces are stronger than the overall impeding forces. Depending upon the varying strengths of impetuses and impediments the authors categorize professionalisation process into four zones.

**Zone of No Action:** If both the impetuses and impediments are weak then professionalisation will not take place and the firm will have personal management of the entrepreneur.

**Zone of Negative Action:** If impediments are stronger than impetuses, then the effect on the adoption of professional management will be negative and the firm will continue to have traditional family management.

**Zone of Hybrid:** If both the impetuses and impediments are strong then the family member

		<b>Impediments</b>	
		<b>Weak</b>	<b>Strong</b>
<b>Impetuses</b>	<b>weak</b>	<p><b>Category I</b> <b>Zone of No Action</b></p> <p>Personal Management</p>	<p><b>Category II</b> <b>Zone of Negative Action</b></p> <p>Traditional Family Management</p>
	<b>strong</b>	<p><b>Category IV</b> <b>Zone of Positive Action</b></p> <p>Professional Management</p>	<p><b>Category III</b> <b>Zone of Hybrid</b></p> <p>Professional Family Management; Co-Management by Family Members and Outsiders</p>

owners will try to professionalise themselves. The control at top level would stay with the family members but outside experts may be hired at specialised functional levels. The management becomes formalized, standardized and more scientific.

**Zone of Positive Action:** If impetuses are stronger than impediments, then there is a definite positive impact on the adoption of professional management. In this situation professional management is most likely to prevail.

### ***Conclusion***

Authors concluded that how a family business evolves on the path to professionalisation depends on the drivers and constraints the firm faces. The evolution need not necessarily follow the given sequence. For instance, given strong impetuses a family firm may directly transform itself from Zone of No Action to Zone of Positive Action. The family business would adopt professionalisation in these four varying degrees as impetuses and impediments change at individual, firm and environment level.

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