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When the Younger Generation Takes Over – Singaporean Chinese Family Businesses in Change[1]

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1. Introduction

1.1 Studying Chinese business

Rapid economic growth as well as turbulence in East and Southeast Asia in the past decades fostered an increasing interest in the region's business world, and especially in the ethnic Chinese, who, as biggest entrepreneurial group, form the driving force for development. Today, multiple pressures of change force small, medium and large sized Chinese family businesses to introduce innovation and change. These pressures, the changes introduced and the *innovators* themselves form the topic of this article.

In trying to better understand the success of Chinese business in East and Southeast Asia, studies have focused on the nuclei of growth, the specifically Chinese characteristics of Chinese businesses and the efficiency of Chinese business networks. Their strength and worldwide reach lead to research on a unique form of Chinese capitalism – in opposition and possibly direct competition to Western capitalism.

There are three basic approaches in these studies. Firstly, some scholars focus on the nature of Chinese businesses (Chiew, 1997; Pollak, 1995; Redding & Wong, 1986; Tong, 1996; Tong & Yong, 2002; Wong, 1985; Wong, 1996). What are the constituent characteristics of a Chinese firm? Are those characteristics specifically Chinese or can they also be found in non-Chinese environments? How do Chinese businesses differ from non-Chinese? Studies following this approach, commonly suggest that – among many others –

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interpersonal relationships, centripetal authority, and kinship networks can be seen as the main characteristics. Whereas one or other of these characteristics can also be found in non-Chinese businesses, the combination of all three makes them specifically Chinese.

Other authors focus on Chinese business networks (Bonacich, 1973; Chan, 2000; Evers & Schrader, 1997; Hamilton, 1996; Kunio, 1988; Kwa, 1998; Menkhoff & Gerke, 2002; Menkhoff, 1997; Redding, 1990; Wang, 1996; Weidenbaum & Hughes, 1996; Wu, 2000; Yeung, 2002; Yeung, 1999; Yeung & Olds, 2000; For a critical review: Mackie, 1998). How are they established? What are they based on? Who is part of them? How do they work? Key terms here are *guanxi* and *xinyong* (contacts and trustworthiness), family relations and kinship. Interpersonal trust forms the basis for all economic activities and determines a person's success or failure in business.

The third approach examines changes in Chinese business (Cheng, 1985; Kuo, 1987; Lim, 2000; Menkhoff & Gerke, 2002: 3–20; Menkhoff & Wirtz, 1999; Olds & Yeung, 1999; Soh, 1999; Yeung & Soh, 2000). To what extent does globalisation as well as technological, social and economic development or the financial crisis of 1997–99 influence the nature of Chinese businesses? Do the businesses resist the pressures to change and preserve their traditional constitution, or do they adapt to the new environment and change accordingly? If they change, what do the new businesses look like? What is the future of Chinese business, networks and – if existent – Chinese capitalism?

While useful, most of the studies have merely focused on external factors of change. The importance and impact of internal factors, such as inter-generational transfer within Chinese family businesses and the conflict potential arising from it, have generally been overlooked. It is the aim of this article to shed light on the changes that occur within Chinese family businesses in Singapore in the event of the younger generation joining and finally taking over. Special focus is given to the aspect of inter-generational transfer as a change-enhancing factor.

The fieldwork and further research were guided by the following questions: To what extent is inter-generational transfer significant for the business future and why? How does the transfer take place? In the case of conflict, does it arise between the older and the younger generation or amongst the younger generation themselves? What is the nature of this conflict? Can it be solved or is it merely suppressed? What happens when the younger generation takes over? What kind of changes are implemented? What other factors also influence change? How extensive is the impact of external social factors, such as technological development, competition, and consumer tastes, and of internal social factors, such as decreased family sizes, external work experience and the higher level of formal – occasionally Western – education of the younger generation, on change within the businesses?

Inter-generational transfer is a crucial step in the development of family businesses, as a change in leadership is often followed by implementation of changes in the businesses. The changes undertaken will be analysed at various levels covering personal, technological, and institutional as well as management structure. The factors of change include external as well as internal pressures. A changing business environment, technological development, state policies and government programmes, increased competition and changing consumer tastes are some of the external factors. Pressures from within the businesses, including decreasing family size, altered ownership relations, the different upbringing of the younger generation, higher formal education and Western influences, an altered understanding of authority and conflict management, as well as inter-generational transfer problems causing conflicts in the business and the family, all affect the reality of family businesses in Singapore today. When inter-generational transfer takes place, these differences in the mindsets of the older and younger generation have to be communicated and the older generation is compelled to accept changes introduced by their offspring.

Based on the collected data, it will be argued that the combination of inter-generational transfer, as well as the higher formal education and external work experience before joining the family business and therefore, the different way of thinking and understanding of authority on the part of the younger generation function as the main catalysts of change when inter-generational transfer of the family businesses take place. The different mindsets and the more strongly felt need for change accelerate its implementation in the businesses especially after the inter-generational transfer has taken place. Some businesses cope with these changes and the conflict potential arising from them, some do not. How do those that succeed overcome the challenges?

1.2 Methodology

Focusing on change taking place in Singaporean Chinese family businesses, this study is based on personal interviews with twelve members of eight businesses, six of which belong to the older, and six to the younger generation. As the working definition of a Chinese family business in Singapore, this study adopts the criteria of family involvement, control and – as done so by Khoo, Tan & Chung – the potential for inter-generational transfer, as well as the obvious criterion of Chinese ethnicity (Khoo, Tan & Chung, 1996: 403–424). The potential for inter-generational transfer is of importance in order to observe changes when the younger generation joins the business or takes over. The criterion of ownership is important because of the focus on change. A reshaping of the ownership structure or family control in a business is a powerful indicator of change in the family business. Centripetal authority, interpersonal relationships and kinship networks shall be adopted as common characteristics.

Accordingly, the sample chosen for this research represents mainly small and medium sized Chinese family businesses, which were originally 100% family owned, run, and controlled and are slowly beginning to experience changes in their management structure. Only one of the eight businesses is now publicly listed, while the remaining seven are privately run.

By focussing on the reasons and potential consequences of change, the research is qualitative rather than quantitative. The interviews were only semi-structured in order to allow room for modifications and/or free interaction between the interviewer and the informants.

Although all twelve interviews and eight businesses studied played an important part in forming the author's opinion, three cases have been selected so as to provide the reader with more details. The three cases – one preparing for inter-generational transfer, one in the process of, and one after transfer –, as well as the changes experienced, are illustrated in Section 2. To protect the privacy of my informants, the names of the businesses and families were changed. In Section 3, potential reasons for change are presented based on all twelve interviewees as well as on the thirty-three family members engaged in the eight family businesses – seventeen members from the older and sixteen from the younger generation. In my analysis and discussion of the factors of change mentioned by my informants, I distinguish between external and internal ones.

2. Case studies

In this section, three cases of Singaporean Chinese family businesses in the process of change will be illustrated: Tan Holdings, which faces inter-generational transfer in the near future; Choo Pharmacy Group in the second phase of transfer; and Yuan International Group, which completed a phase of inter-generational transfer in 1998. As shown by the number of family members in key positions, all three businesses are run and controlled by the family. Majority ownership by the family is given in the cases of Yuan International Group and Tan Holdings, which are privately held. In the case of the publicly listed Choo Pharmacy Group, the family retains majority ownership only in some parts of the business.

2.1 Tan Holdings

The story of Tan Holdings began in 1945, when Mr. Tan set out from China for Singapore to make his fortune. In 1947, Tan Pottery was established as a trading company importing household goods mainly from China, Japan and Czechoslovakia. In 1973, Tan Pottery – by then an expanding business with export development in Malaysia and Indonesia as well as a manufacturing site in Southern China – was reorganised as a Holding Company. The business further expanded into manufacturing and property development. In 1974 Tan Services, a laundry service for Singapore Airlines, restaurants and hotels, was established in Singapore. In the following years, Tan Holdings established a melamine factory in Johor/Malaysia, as well as two factories in Bangkok, one manufacturing glassware and the other decal paper for opal glass decorations. In 1988, the Group ventured into Cambodia and invested in the first five-star hotel in Phnom Penh. The expansion of the group continued with the setting up of Tan Sdn. Bhd. in Malaysia, PT Tan Murni in Indonesia, and Tan Pte. Ltd. in Cambodia. In 1992, the group invested in another hotel project in Cambodia, began producing plastic kitchenware in Myanmar and in 1993 entered a joint venture with a wire-ware manufacturer in Thailand. Further investments in Cambodia included a rice cultivation project and in 1996, a joint venture project for Information Technology (IT) training and education.

Mr. Tan's two eldest sons – George and Victor – joined the business in 1970 after finishing secondary school. When the father passed away in 1975, the two eldest sons took over the business leadership. At present, Tan Holdings is a privately held business run by the second generation, yet preparing for transfer to the third. As a group, the family has 100% ownership of the company. Exact information on the turnover was not accessible, yet according to a *Straits Times* Article, the group's turnover in 1993 comprised SIN$150 million (*The Straits Times*, 1994). Due to the group's strong presence in the region, it was badly hit by the financial crisis of 1997–99 and the offices, but not the production sites, in Thailand, Malaysia, Myanmar and Indonesia were closed.

2.1.1 Family relations within Tan Holdings

When the founder of the business passed away in 1975, his sons inherited the business; shares were allocated according to their order of birth, starting with the first-born. The daughters of the family did not inherit any parts of the company since it was assumed that their standard of living would be assured through marriage. Consequently, the two eldest sons formed the new leadership team, with the remaining four brothers also working in the company. Soon, two of the younger ones left and started their own businesses.

Today the two eldest – George and Victor Tan – still manage the business. The areas of influence are well defined, with George Tan taking care of the business in Cambodia and Victor Tan responsible for manufacturing and wholesale in China. All operations are still centralised in Singapore, which confirms the characteristic of centripetal authority. The youngest brother in the business now runs the Malaysian subsidiaries independently. The fourth brother in the business is the Executive Manager of Tan Services.

Businesses in Thailand and Indonesia are run by professional managers but controlled by George Tan. These subsidiaries are owned and their performance is controlled by the Holding Company in Singapore, which suggests that decentralisation led to a change in the management and possibly a decrease of family control. Yet, the professional managers are controlled by George Tan and a decentralisation of the ownership pattern did not take place.

As a member of the third generation Lisa Tan, daughter of George Tan, joined Tan Services in 1996 after studying and then working in the UK and USA for twelve years, followed by eight years in a multinational company (MNC) in Singapore. She is now General Manager of Tan Services and claims to be the main decision-maker of this part of the group. Her younger brother joined the business after graduating from a university in the USA The remaining members of the third generation – after graduating in the USA and UK – began working for other Singaporean companies to gain experience before they are supposed to join the family business soon.

2.1.2 Change versus continuity

While in 1982 Tan Holdings mentioned with pride the complete centralisation of the group's operations in a company report, today an increasing awareness of the danger underlying inter-generational transfer, as well as the need to introduce rational management structures that proved essential for the survival of many Chinese family businesses after the financial crisis of 1997–99, force the older generation to decentralise before handing over. The first step towards decentralisation taken in 2001 was to reorganise the Malaysian part of the company, giving it relative independence. For Victor Tan, *relatively* independent means: "we don't interfere as long as their performance is showing a good sign." Yet, the subsidiary continues to be totally owned and its performance regularly controlled by the Tan family. Actual decentralisation by splitting the ownership is planned with the objective that "everyone [of the third generation] gets a portion and can do with it what he wants", according to Victor Tan.

Although the main office will remain in the hands of George and Victor Tan, the subsidiaries throughout Southeast Asia will be independently run, owned and controlled by the third generation. In the words of Victor Tan:

> "In the old days, the head-office had to undertake all decisions. But since we make it all more individual, every company has to be standing alone. (...) When we hand it over to the third generation, we rather prefer to split ownership as well. So the companies are not only independently run but also independently owned. (...) So they can explore their own ways of doing business, their own character, own style."

It became obvious during the interview that decentralisation involves an emotional stress for the older generation, but – fearing the harm caused by inter- and intra-generational conflict – it is seen as necessary. "It will be better to have sorted it out before [the take over], so that there will not be an ownership dispute." The danger of conflict between the two generations is described by Victor Tan as follows:

> "You know in discussions, their business plans and views on how to conduct business are different. (...) [My brothers and I] always see the global picture and how far resources can stretch. But the younger see it on a smaller scale. They don't see it in a group but only that they lost something in a business; but they don't see that a different part of the business made some profit from that. (...) They think it is better to have business each on their own way. (...) Possibly, they are more reluctant to risk. (...) Maybe the idea is good but sometimes the practicality and the way the minds of them work is not so good."

During the interview, Victor Tan repeatedly stressed that he and his brothers have a very close relationship and are not so "calculative". Concerning potential conflict between members of the third generation after handing the business over, he believes that their "thinking and upbringing, the philosophy, may be different." He explains further:

> "Three brothers have a different way of how to bring up their children and also the chance of meeting and coming together is not as often. So, when they discuss, they don't think in the same way. (...) They always have a different opinion from each other."

In order to prevent inter- and intra-generational conflict the brothers decided to divide the business, passing on ownership and control of one small part to each inheriting child. Victor Tan: "[My brothers and I] really think it is better if [the third generation] has a smaller portfolio each and then they can do business themselves." Asked whether Victor and George Tan will remain as advisors in the businesses – apart from leading the main office in Singapore – Victor Tan denied this, noting: "If they have their own ways to run business, it might not be good to interfere."

Nevertheless, the disadvantages of decentralising, such as splitting the portfolio, are also seen. As Victor Tan puts it: "One chopstick breaks more easily than ten chopsticks together." However, the process of inter-generational transfer is to be completed within the next three years.

The fact that the subsidiaries abroad are run by family members shows that kinship networks are still important. However, there is a tendency to decentralise authority, power, and control.

Lisa Tan, member of the third generation, stresses the changes in management style: "I don't care how long someone is in the business. If he doesn't perform, he has to leave, (...) no comfort zone for anyone (...) I think more in numbers (...)." These statements express a rather rational and pragmatic management philosophy. During the six years she has spent in the business, 50% of the older staff were replaced by younger employees and the average age dropped from 45 to 35. Lisa Tan prefers to employ overseas graduates, since she sees local graduates as "book-smart" rather than "street-smart". Interestingly, she describes how she had to legitimise her authority by working with another company after graduating in the USA, thus gaining respect from employees. She characterises the management style of her father and uncle as "emotional" and not always pragmatic. Like her uncle, she points to the higher risk-aversion in her own generation compared to the elders. She explains: "Again, you know, cash is king. I don't want to take too high risks."

In summary, Tan Holdings is preparing for inter-generational transfer by decentralising the company. Internal changes have occurred, especially in the subsidiaries led by the third generation. The different understanding of authority fosters a different management style. For the younger generation, performance is seen more in terms of turnover rather than family relations.

2.2 Choo Pharmacy Group

After graduating as a pharmaceutical chemist from the University of Sydney, in 1958, Choo Tan started his career by working with the Federal Dispensary of Singapore. In 1962, he established Choo Pharmacy in Malacca. After a year, Choo Pharmacy became profitable and Mr. Choo decided to expand. In 1966, he opened his first Singapore outlet along Orchard Road. Today Choo Pharmacy Group comprises the Malaysian part of the company, Choo Healthcare Malaysia as well as its smaller Singaporean branch Choo Holding Pte. Ltd..

Choo Holding Pte. Ltd. Singapore is mainly engaged in investment holdings. Lek Pharmacia Pte. Ltd. and Choo Pharmacy International Pte. Ltd. are its subsidiaries. Both are 51% externally owned.

After Choo Aun, the second son of Choo Tan, took over Lek Pharmacia Pte. Ltd. as Chief Executive Officer in 2000, it was renamed from Choo Pharmacia Singapore Pte. Ltd. to Lek Pharmacia Pte. Ltd., as well as repositioned as a marketing and distribution company rather than focusing on wholesale. In its first year of independent operation, it recorded a 26% growth in sales, and added several major agency lines. Lek Pharmacia Pte. Ltd. has been registered as a listed company since 1972. Choo Pharmacy International Pte. Ltd. entered into an Asset Sale and Purchase Agreement in September 2000 for the sale of all of Choo's retail-related assets in Singapore. Choo Holding Pte. Ltd. Singapore owns parts of the Malaysian business indirectly via the shareholders and Board Members of Choo Pharmacy Holding.

Choo Healthcare Malaysia is today a vertically integrated Malaysian pharmaceutical group consisting of four fully owned subsidiaries involved in manufacturing, marketing, distribution and retailing of pharmaceutical products. The group runs twenty retail outlets throughout Malaysia and increasingly exports to countries in the Asia-Pacific region, the Middle East and Africa.

While the founder Choo Tan, is the Executive Chairman, his first son, Dr. Choo Yew, has controlled the day-to-day operations as Managing Director since 1999. Choo Pharmacy Holding is the largest shareholder of Choo Healthcare Malaysia, with a share of 40.02%. The group has been listed at the Second Board of the Kuala Lumpur Stock Exchange since 2000.

The group experienced a 50% increase in turnover between 1995 and, with a slight slowdown during the financial crisis of 1997–99, notwithstanding the inter-generational transfer to the younger generation in 1999 and the public listing in 2000.[2] This can partly be explained with the inelastic demand for pharmaceutical products. Furthermore, it indicates the relatively smooth transfer to the younger generation, despite some conflict between the father and the sons as well as between the heirs.

2.2.1 Family relations within Choo Pharmacy Group

Today, all subsidiaries of Choo Pharmacy Group are publicly listed. Nevertheless, the Choo family owns substantial parts of the shares and key family members hold important executive positions in the Group. The Singaporean part of the company is led by Choo Aun, the second son of Choo Tan. With degrees in Engineering (Masters) and Business Administration (Masters)

2 Turnover between 1995 and 2001 in Ringgit Malaysia '000: 1995: 86.665, 1996: 97.378, 1997: 96.72, 1998: 94.986, 1999: 108.798, 2000: 122.1, 2001: 136.6.

from a US university, he gained some work-experience in the USA, and joined the business in 1988, due, in part, to health problems of his father.

The Board of Directors of Choo Healthcare Malaysia consists of Executive Directors Choo Tan, the founder of the group, his eldest son Dr. Choo Yew and his cousin, Choo Ban. Dr. Choo Yew, after graduating with a medical degree and a Master of Business Administration from British universities, worked in an American company in Singapore for ten years, before joining the family business on a full-time basis in 1999.

The remaining members of the board are not directly related to the family. Nevertheless, Choo Yo, a brother of Choo Ban, is the Executive Director of Choo Pharmacy Sdn. Bhd.. The Finance Manager of Choo Pharmacy Sdn. Bhd., James Choo, is the nephew of Dr. Choo Yew. Hence, three key family members occupy the three main positions of the group. Three members of the extended family are in leading positions of the Malaysian part of the company.

2.2.2 Change versus continuity

The most recent changes undertaken by Choo Pharmacy Group were the listing of Choo Healthcare Malaysia and the sale of all retail-related assets in Singapore, both in 2000. Concerning additional changes, Choo Tan maintains:

> "Definitely it has changed. I think when I started it is more of the personal and a lot of trust and known by voice that sort of thing. Now it is more with that high technology and proper accountancy. That is a big change. The other change is the stronger competition. More and more pharmacies open up."

When Choo Aun joined in 1988, his father "was still pulling all strings" until Choo Aun officially took over in 1998. Today he sees himself as the main decision-maker of the Singaporean branch. According to him:

> "(…) mainly organisational changes by decentralisation. Before we sold the retail shops, they all became independent in the form that they were headed by one pharmacist who was sales manager at the same time. He would receive a budget and handle it freely."

When selling the retail outlets in 2000 and renaming the Choo Pharmacia Singapore Pte. Ltd. to Lek Pharmacia Pte. Ltd. "it was very difficult to convince my father to sell and rename parts of the company", says Choo Aun, since "he sees it from the emotional side. I just see it in terms of return." His father, Choo Tan still regards the renaming of Choo Pharmacia Singapore Pte. Ltd. to Lek Pharmacia Pte. Ltd. as negative to the business and comments: "(…) the [Choo] name is better known. So you better come back to the [Choo Pharmacia] name if I had the way to do it."

After selling the retail outlets, Choo Pharmacy Singapore introduced the five-day-week. Choo Aun explains:

> "If we want to compete, we have to adapt. If we want to keep our five and a half-day-week for example, it doesn't work. All the MNCs have a five-day week, so we have to adapt, otherwise all the qualified people will go there. In 2000, we took over some experts from a different company, which had already a five-day week only. They would not have come to our company, if we had not introduced the five-day week as well."

His father, Choo Tan, does not agree with the statements of his son. When asked what he thinks about the introduction of the five-day week, he states: "I am not in favour. I think we should have five and a half."

Choo Aun, like his father, also mentions technological changes: "When I joined the business in 1988 the whole accounting system, wholesale and retail was not computerised yet." He also introduced online-transactions of pharmaceuticals. It is too early to tell whether this will be successful, but it is a definite change in business methods. It is not only a completely new marketing strategy and exploration of a new, emerging market but also signifies the use of technology and knowledge in a way uncommon to business only ten years ago (Teo, 1999: 2–24; Wirtz & Wong, 1999: 2–27).

The elder son, Dr. Choo Yew, who had been a director for more than ten years, joined the Malaysian part of the business on a full-time basis in 1999. He now describes himself as the managing director and the main decision-maker.

> "My father is the executive chairman but he has begun the process of handing over, so the decisions he would leave to me. I consult him on the major issues two or three times a week but implementation is everything left to me."

He goes on to explain:

> "I think the period of leadership transition is important. (...) I think for [my father] it is important, being the founder and the key decision-maker and a lot of the staff has been with him for twenty, thirty years. So it takes a long time for a new person to take over the leadership. So he wants to make sure that the transition is smooth."

This description of inter-generational transfer demonstrates the point that the business contacts of the founder remain relevant for the business as long as he is alive. It could be argued that it demonstrates continuity and is one aspect preventing rapid changes after succession.

Dr. Choo Yew describes the changes he introduced as "giving the businesses a sharper focus, putting in place systems and giving more authority to the professionals". At a different point of the interview he states: "I try not to do too much business with relatives. I like it to be so that everyone is the same." Further, he says:

> "I find it difficult. If you want to build your management structure, you want to have the authority, you have to show that you are fair and objective, that you don't do things because a family member comes along and asks for your supplier or for a job. If you are the family head and you own the business 100%, you can give the contract to anyone you like. But now it is different. You have other shareholders. In fact, if there are people related to us who want to get involved in business, I delegate the decision to my professional managers. I don't get involved."

This quote illustrates a number of important points. It shows a shift towards decentralisation, the willingness to give more authority to professional managers and a reluctance towards doing business with family members. However, most important is Choo Yew's understanding of authority. Authority, from his point of view, is established through an objective, transparent and pragmatic management style based on meritocracy rather than family relations. This understanding of authority clearly contrasts with the centripetal authority in traditional Chinese family businesses whereby the authority of the founder goes unquestioned. Dr. Choo Yew's understanding of authority is similar to Lisa Tan's and fosters changes in the management style and organisation of the business.

Asked whether the introduction of changes was connected to conflict, Choo Yew states: "Yes, but I think after some time family members can understand why these changes had been brought about. Family members come to accept. (…) The older ones as well as the key managers were important."

It became obvious during the interviews that tensions concerning the difference in size between Lek Pharmacia Pte. Ltd., the Singaporean part of the company led by Choo Aun, and Choo Healthcare Malaysia headed by Choo Yew, influence the intra-generational atmosphere and relationship. Furthermore, several changes introduced by the younger generation, as well as discrepancies in the management methods and the views of how to lead a business, are a basis for further conflict. As with Similarly to Victor Tan, for Choo Tan as well, these varying mindsets derive from "quite a different upbringing all together." Choo Tan explains further:

> "For them, from the day of birth everything was provided for and looked after. Their thinking is different. They may not realize the value of money so much as I do because I started off with nothing. I had to find out everything myself. So there is the difference."

Nevertheless, the period of succession and change was managed successfully and the family business was handed over, without any harm.

2.3 Yuan International Group

Yuan International Group was originally founded in New York by the father of Mrs. Hua Ping after the First World War. As a mining engineer from the London School of Mines he traded minerals from China to the United States. As business developed, he settled down in Nevada and opened his first mine. At the time of his death in the 1960s the family owned mines in Mexico and Brazil, as well as factories in the USA.

After the marriage between his daughter, Hua Ping, a chemist, and Hua Chian, an agricultural economist, both of whom graduated from Cornell University in the USA, her father sent the couple to Thailand to find tungsten. In Thailand, the couple became interested in the tapioca starch business and started the first Yuan factories and offices in Bangkok in 1948. The business expanded rapidly, producing and marketing food, ventured into property development and in the early 1990s comprised eighteen subsidiaries in Thailand under the name Thai Yuan Co. Ltd., three in Hong Kong under Yuan International (Hong Kong) Co. Ltd. and another three in mainland China.

Furthermore, the group had one company in Taiwan, Yuan Trading Co. Ltd. and one in Malaysia, Yuan International (Malaysia) Co. Sdn. Bhd.. In Singapore, the Group established itself with six trading, food and property development businesses from the 1970s onwards. In 1993 the two sons, Hua Hinn and Hua Wan ventured further into the hotel business. While the Thai part of the group suffered high losses during the financial crisis of 1997–99, the hotel and spa business, Chan Hotels & Resorts Pte. Ltd. located in Singapore, boomed. Today the hotel business comprises ten luxurious resorts, hotels and spas in Thailand, Indonesia, the Maldives and Seychelles, while two more are under construction in Mexico and Nepal. One subsidiary – Chan Chee Hotels & Resorts Pte. Ltd. – runs ten hotels and spas in Thailand, Indonesia, Maldives, India, Australia and Seychelles under a different marketing concept. The company also opened several galleries selling massage oils, candles and incense.

Business in China was "faded out" according to Hua Hinn, when business in Singapore became increasingly prosperous. Referring to the Thai part of the company, which mainly manufactures and markets food products, Mrs. Hua Ping thinks that her sons are "in the process of winding up".

Yuan International Group, as well as its hotel and resort businesses, are privately owned by the family of the founder.

2.3.1 Family relations within Yuan International Group

Hua Hinn joined Yuan International Group in 1981 in Hong Kong, where he had worked as a journalist after graduating with a Master of Arts degree from a US university. When his father had a stroke a few years later, he came back to Singapore: "Otherwise I wouldn't probably have. When he had the stroke, I thought as the eldest son, I had to come back." In 1991, he and his younger brother Hua Wan founded the Chan Hotel & Resorts Pte. Ltd. and became its directors. An architect and graduate from the National University of Singapore, Hua Wan concentrated on the design and building of the hotels, resorts and spas, while Hua Hinn managed the business. In 1994, Hua Hinn became Chairman of Yuan International Co. Pte. Ltd. and Thai Hua Co. Ltd..

When Hua Chian passed away in 1998, succession was completed. Nevertheless, Hua Chian's wife Hua Ping – as Vice-president of Yuan International Group – continued to come to the office in the mornings.

2.3.2 Change versus continuity

Yuan International Group evolved over the years from a minerals and mining to a food business and is today mainly known as a hotel business. The flexibility and openness to sectoral change and business mutation is exemplary. While Mrs. Hua Ping and her husband ventured into a different field from that of her father, their children again found their own fields of business interest. Referring to the completed inter-generational transfer, Hua Ping says: "When Hua Hinn and Hua Wan founded the Hotels & Resorts Pte. Ltd., my husband and I let them go for it. So they can have their own little baby." The fact that Hua Hinn and Hua Wan had founded their own part of the business might have helped the succession after Hua Chian passed away in 1998. Alternatively, formerly existing tensions and conflicts might have been forgotten and therefore not mentioned by the informants.

According to Hua Hinn, "the family business mutated all the time into different businesses over the years" and is now much more multinational, professionalised, as well as decentralised in the decision-making. This partly derives from the fact that the hotels are located all over the world and centralised decision-making and control over their daily operations would have been impractical. However, the hotel sector is not the only reason for decentralising. According to Hua Hinn: "I try to decentralise. I mean, I am not a hotelier. How can I decide on the hotel operations?" He further explains:

> "I try to consciously ask myself, what are the kinds of decisions that only I can make? And if there are decisions that somebody else can make, then I shouldn't make them."

Nevertheless, he makes all major decisions concerning the business, e.g. the locations of future hotel projects. Underlining his role as the main decision-maker, he points out: "At the end of the day it is not a democratic process like how many people hands up for this particular location. I have to make that decision, and so I will make it."

Furthermore, he distinguishes Yuan International Group from a traditional Chinese family business:

> "We are clearly trying to assure that there is not an ethos of the family business as family members being insiders and non-family members outsiders. We are trying to develop a Yuan Group ethos."

As a strong supporter of corporate governance strategies (Corporate Governance Committee Singapore, 2001), a set of guidelines from the Singaporean government for transparent and objective management, he sees corporate governance as an "ongoing process", in which one is "always trying to see where you can improve yourself." To this end the company had organised a corporate retreat in Phuket called "Fighting Fit for 2002":

> "Each business unit was supposed to present their work-plan for the year. And then we had words like "best practices" to benchmark each of our operations to what [the staff] considered to be the best practices within their own area."

Asked about the reasons for his support of corporate governance strategies, Hua Hinn explains:

> "I think particularly in the Asian context, Asian companies being family businesses, have not sufficiently distinguished between the needs of the family and the needs of the company and very often get the two intermingled. (...) So I think the idea of corporate governance, where there is an objective set of criteria which has nothing to do with individual interests but to do with the governance of a company according to basic principles of governance, is very needed in Asia."

His strong support of corporate governance as promoted by the Singaporean government emphasizes his image of aiming for modern management styles in the Singaporean Chinese business community (Chan & Ng, 2001: 50). Furthermore, Yuan International Group, and especially its hotels and resorts branch became famous for its emphasis on branding.

> "My basic premise was, when starting the hotel business, that I have to own the brand and I must have a proprietary advantage. (...) Like Coca Cola doesn't even need to make the coca cola anymore. They can outsource it but they have the market. They have the brand. So we said, if we are going to dig into something, I better have marketing capabilities and I better have a brand."

Compared to Western conglomerates, branding and market creation are rather uncommon for Asian companies. With its aim of ceasing to produce exclusively for Western companies or trade no-name products and creating and owning a market instead, the company's approach is very emancipated. The images created by Yuan's hotel chain are based on local traditions and customs according to the location of each hotel. This world of images does not derive from imported foreign culture, tastes, lifestyles, but describes high-class local dream worlds (Featherstone, 1991).

In connection with branding as a marketing strategy stands the awareness of the importance of centralised marketing. Hua Hinn stresses: "The company's future must not be dictated by one sales manager here, one there, one marketing manager here, one there. It has got to be centralised."

To sum up, apart from the founding of the Hotels & Resorts business by Hua Hinn and Hua Wan, the main internal changes taking place are decentralisation of decision-making, the adopting of corporate governance and the branding of Yuan's hotel branch.

2.4 Discussion

Referring to the collected data, I analyse the changes described above grouped as technological, personal, organisational and managerial as well as changes in the marketing strategy. Technological changes are the most obvious and involve all sectors in the business from product invention, manufacturing, wholesale and retail to accounting and business organisation. Personal change takes place when the younger generation joins the business, when professional managers are introduced or the younger generation changes the staff. Organisational changes include the public listing of Choo Healthcare Malaysia, the selling of retail assets of Choo Holdings Pte. Ltd. Singapore, the expansion into hotel and resort business, as well as the retail of massage oils by Yuan International Group, and the independence of the Malaysian part of Tan Holdings.

The organisational changes are the result of changes in the management styles of the businesses. Decentralisation of management from being family-run and family-controlled, but not changing the family ownership, were evident in all three cases. Adoption of corporate governance strategies, the introduction of professional managers, and the emphasis on not employing too many family members was found with Choo Pharmacy Group and Yuan International Group. Tan Holdings and Choo Pharmacy Group exhibit major differences between the management styles of the older and the younger generation. Decision-making with the head rather than the heart was repeatedly mentioned.

The use of online transactions introduced by Choo Aun combines technological with managerial changes and shows a major change in the style of marketing, using advanced knowledge resources for business. The significance of the internet and e-commerce increases rapidly and paves the way for a completely new form of doing business, advertising and marketing. The emphasis on branding practised by Hua Hinn is interesting, indicating a trend away from producing and trading products under a brand not owned by oneself or low-price and no-name products, to actually creating, owning and marketing a brand. This aim to own a brand is still fairly uncommon for Chinese family businesses, so Yuan International Group might function as a *trendsetter* at least within the Singaporean Chinese business community. It is the beginning of the development of high class and quality ethnic-Chinese brands in competition to the American, European and Japanese brands that dominate the global markets. The emphasis on local culture and the use of local goods to create a "sanctuary for the senses" as advertised in the company's brochure demonstrates an emancipation process of local cultures. Local attributes, tastes and culture become part of the lifestyles of the rich, who are able to afford a night in a hotel or spa of the Chan Hotels & Resorts chain, where the price of accommodation ranges from US$ 330 to $ 800 per night.

Finally, the most important change observed is the different understanding of authority found amongst the younger generation. Authority now has to be legitimised through objective, fair, and pragmatic management, as well as university certificates as described especially by Lisa Tan and Choo Yew. This leads to major changes in the management style. Combined with corporate governance strategies, centripetal authority cannot be maintained, while decentralisation is supported. Personal performance becomes the criterion to assess a person's work. Authority can be questioned, is not constant but mobile, and has to be continually confirmed. This understanding of authority also leads to a different understanding of leadership as the main decision-maker and therefore to a changed self-esteem of the upcoming leading managers of Chinese family businesses. The main decision-maker has to perform in order to gain the respect of his/her employees. The new leader of a business has to legitimise his position as the respected head of a company. Consequently, university degrees, external work-experience and qualifications instead of family relationship and kinship emerge as the main criteria for employment. Nevertheless, major conflicts between different generations as well as within the younger generation concerning their position in the company, their ownership share, and different ways of doing business, are likely to arise when inter-generational transfer takes place. Inter- and intra-generational tensions and conflict were mentioned especially by Choo Pharmacy Group and Tan Holdings.

All four key changes, decentralisation, changes in authority, use of technology and branding, are interconnected and influence each other. All four reflect new ideas, changed and changing mindsets, management and business styles that shape new ways of doing business. Information is spread openly, decision-making gets decentralised, authority requires legitimisation, and new ideas as well as modern technology lead the way to advanced marketing. Criticism is not feared and a meritocratic understanding of who gets employed, who decides and who has the authority, guides the young managers who act as *innovators* while reorganising their businesses according to national and international market forces.

3. Factors of change

The aim of this section is to compare and discuss possible external and internal factors of change. Special emphasis is placed on the aspect of higher formal education of the younger generation, as well as inter-generational transfer. Nevertheless, internal and external factors partly overlap and influence each other. Furthermore, it is important to note that changes in a Chinese family business are generally multi- rather than mono-causal in character.

3.1 External factors

In the past decades – shown by Evers – the traditional Chinese trading networks in Southeast Asia were strongly influenced by government laws and policies, global economic integration, changing market conditions, improved transportation and modern communication (Evers, 1988: 90). Tong and Yong furthermore suggest that the need for Chinese family businesses to prove their legitimacy to international companies, the acceptance of legal-rationalistic procedures, as well as a greater system trust exerted strong pressure for change (Tong & Yong, 1998: 93–95). Kowtha and Menkhoff agree with the argument that by relying on the legal and institutional systems provided by the state, the importance of contacts and interpersonal trust fades (Kowtha & Menkhoff, 1995: 22–23). System trust acts as a complement to interpersonal trust and becomes a factor of change.

While the above-mentioned factors are indisputably of high relevance, my informants nevertheless chose to emphasize technological development, competition and consumer trends as the main external factors of change (see Table 1).

Table 1: External Factors for Change

	Rated as Important	Rated as Less Important	Indifferent	Total
Technological Development	8	1	3	12
Competition	7	3	2	12
State Policies	3	5	4	12
Government Programs	3	1	8	12
Consumer Tastes & Trends	7	1	4	12
Shortage of Labour	4	8	–	12
Financial Crisis of 1997–99	6	4	2	12

Eight informants pointed out the significance of technological development – with a special emphasis on e-commerce and the use of the internet. In addition, as mentioned by Menkhoff/Wirtz, Menkhoff/Sikorski, Lim and others, it stands for the creation of a new market, a new way of doing business as well as the use of technological knowledge nonexistent in a traditional Chinese family business (Menkhoff & Wirtz, 1999: 24–30; Menkhoff & Sikorski, 2002: 23–42; Lim, 2000: 10–11; Teo, 1999: 2–24; Wirtz & Wong, 1999: 2–27). Interestingly, not only the younger but also the older generation pointed to technological changes and the rising significance of the internet as important factors of change. It can be assumed that this will result in the establishment of internet businesses, the adjustment of mature family businesses and an increase in competition. The growing role of the internet in business was also demonstrated by Lek Pharmacia Pte. Ltd., which introduced online-transactions of pharmaceuticals as a new marketing strategy.

Consequently, seven informants saw competition, as well as consumer tastes and trends as significant factors of change. The financial crisis of 1997–99 was seen by six informants as a change-enhancing force, thus corroborating the arguments of Menkhoff/Wirtz, Yeung/Soh and Lim (Menkhoff & Wirtz, 1999: 24–30; Yeung & Soh, 2000: 301–323; Lim, 2000: 10–11). Those businesses with a strong business presence in the region suffered particularly under the economic downturn. Furthermore, four informants mentioned shortage of qualified labour. Yet, the state policies and government programs, stressed by Redding as an encouragement to decentralise and implement corporate governance, were merely mentioned by three informants (Redding, 1994: 115).

3.2 Internal factors

Multiple external factors of change can equally be seen as internal factors of change: for example, the above-mentioned changes in the ownership structure by going public, decreasing family control and the implementation of corporate governance strategies, a higher degree of transparency and decentralised decision-making stressed by Yeung and Soh (Yeung & Soh, 2000: 301–323).

However, there exist factors of change that are explicitly internal in character. A very significant factor is the higher formal education of the younger generation, different upbringing in rapidly developing Singapore and corresponding differences in the mindsets of the younger and older generations, new management styles and ways of doing business. These enter the businesses when inter-generational transfer takes place as mentioned by various scholars (Lim, 2000: 11; Wong, 1995: 147; Menkhoff & Wirtz, 1999: 24–30; Weidenbaum & Hughes, 1996: 56–60; Lee & Low, 1990: 139–140; Dyer, 1986: 13) and journalists (*The Economist*, 29.04.2000). Tsang furthermore points to the change introducing function of professional managers in Chinese family businesses (Tsang, 2002: 38–39). Professional managers are generally highly qualified and work without emotional attachment to the business. Their rational way of running the business is often regarded as a Western management style practiced in MNCs and, therefore, connected to success. Nevertheless, Tsang found a high reluctance to actually introduce professional non-family members to the business, since the belief that one cannot trust them as much as family members is still popular. Chan and Ng mention decreased family size as a factor of change and argue that it forces the businesses to employ non-family related professionals (Chan & Ng, 2001: 50–51).

The importance of decreased family size – mentioned by Chan and Ng – was confirmed by three informants during my fieldwork. Four of the twelve informants valued ownership issues as a significant factor of change. This was exemplified by the public listing of Choo Pharmacy Group described in Section 3.2. Several reasons led to the public listing, including, for example, the desire to increase the capital resources of the group. The ownership structure diversifies and, as described by Dr. Choo Yew, the need for the implementation of corporate governance strategies is increasingly felt.

Ten informants saw changes in the staff, with special reference to the introduction of professionals into the business, as a factor of change. Tsang's thesis of a "high reluctance" to introduce professionals to the family businesses could not be fully confirmed by my respondents. This goes hand in hand with the change-enhancing factor of inter-generational transfer, which nine informants considered particularly significant. When the younger generation joins or takes over the business, different modes of thinking, ways of doing business and management styles are introduced and influence its future development. The significance of inter-generational transfer on changes in the businesses is strongly influenced by higher, and partly Western formal education, as well as external work-experience before joining the family business (Table 2).

Table 2: Internal Factors for Change

	Rated as Important	Rated as Less Important	Indifferent	Total
Higher Education of Younger Generation	11	–	1	12
Western Education of Younger Generation	5	4	3	12
External Work-experience	9	2	1	12
Inter-generational Transfer	9	–	3	12
Employed Staff	10	1	1	12
Ownership Issue	4	–	8	12
Smaller Family Size	3	4	5	12

The higher educational attainment of the younger generation – also pointed out by scholars mentioned above – was seen as exceptionally significant by the informants of this study. While eleven informants stated the weight of higher formal education amongst the younger generation as factor of change, only five regarded the influence of studying in the West as especially important (Table 3).

Table 3: Level of Education

	Primary School	Secondary School	Under-grad. Degree	Post-grad. Degree	PhD	Total
Older Generation	4	9	4	–	–	17
Younger Generation	–	–	9	5	2	16
Total	4	9	13	5	2	33

The eight businesses comprise thirty-three family members. Seventeen of the thirty-three are members of the older generation and sixteen of the younger generation. While twelve of the sixteen younger ones actually work in the businesses, four are expected to join within the next five years, following other members of their generation.

As shown in Table 3 the older generation generally enjoys less formal education than the younger generation. When the younger and formally higher educated generation enters the business, the theoretical knowledge obtained during university study often conflicts with the practical knowledge of the older generation. In addition, the younger generation experienced a very different upbringing and socialisation in a rapidly developing country influenced by foreign – and largely Western – values and lifestyles. These differences are reflected in the mindsets, beliefs, and value systems of the younger generation, and provide a potential basis for conflict with the older generation. In one case for instance, the son found the situation in his father's business extremely frustrating, with the consequence of his actually planning to leave. Although he studied in the UK, USA and Taiwan and even obtained a PhD, the hierarchical organisation of his father's business did not allow him to use his knowledge for any kind of decision-making in the company, as he had to unquestioningly respect and follow all his father's decisions. Since he often did not agree with these and furthermore considered them to be actually harmful to the business, conflict arose which could not be satisfyingly communicated or solved.

In the three case studies illustrated earlier, the various generations described the differences in mindsets, views on business and management styles. Tan Holdings especially portrayed the conflict potential between the older and the younger generations, as well as within the younger generation. During the succession of Choo Pharmacy Group ownership, power differences as well as differing management styles and plans for the business led to tension and conflict. It became obvious that the process of succession was hard and painful for all participants; especially, it seemed, for the older generation whose emotional attachment to the businesses was greater than that of its successors. Intense preparation of the transition period might have reduced the emotional hardship for both sides and laid the basis for smooth and successful transfer. Succession in Yuan International Group began in 1981 with the first son joining the business. Tensions and differences were communicated and settled over the years, until transition was finally completed in 1998 with the death of the father. Whereas in Yuan International Group the older generation now lets the younger generation lead and change the business independently, in Choo Pharmacy Group the father is still present in the business and regularly consulted. In Tan Holdings, the seniors are still the main decision-makers, but plan to decentralise ownership and control when the younger generation takes over. If this proceeds as planned and stated in the interviews, it would offer independent management of the inherited parts to the succeeding generation. The fear of potential conflict within the younger generation as well as the tension between the generations – repeatedly stressed during the interviews – functions, as seen especially in the case of Tan Holdings, as factor of change. The fear of conflict urges the generation in power to introduce changes in order to prepare for transition and avoid conflict. In conclusion, one might say that in all three cases both generations described the differences in doing business, the potential conflicts arising there from, and the *wind of change* blowing when the younger generation takes over.

As regards the application of Western business strategies and management styles learnt at universities in the West or East (Table 4), informants often refer to the modernity, prosperity, and power of their countries of education – e.g. the USA as a basis for the legitimacy of these practices.

Prior to the collecting of primary data, I assumed that Western education and influences combined with inter-generational transfer in the business were the main internal factors of change, as also argued by Menkhoff and Wirtz (Menkhoff & Wirtz, 1999:20+28). Yet, I have learnt that my informants rated higher education as more important than Western education. One can argue that higher education at university level – regardless of whether it was acquired in the USA, Europe, Australia or Asia – is vastly influenced by Western scientific research. With regard to business studies and economics, Western economic theories and business strategies are taught and practised. At the National University of Singapore, for instance, American and Anglo-Saxon business strategies are commonly taught, as four lecturers of the Faculty of Business Administration confirmed to me. It could therefore be argued that the factors of higher and Western education can be combined and seen as one factor.

However, my informants refused to do so. Six argued that higher education is far more important as factor of change than Western education, while one was indifferent. Five agreed that Western education and its influences are more important than higher education. Various aspects could have influenced this outcome. For instance, while talking to a Westerner, some members of the older generation who clearly described the change as something negative might not have felt comfortable with *blaming* it on Western education. However, this impression cannot be proved, nor shall it be used against the statements of my informants. However, the fact that eighteen out of the twenty informants actually experienced their higher formal education in the West – as shown in Table 4 – indicates the importance and high value of Western education. The question of whether higher and Western education can be combined into one factor of change must be answered in future research. However, both aspects seem to be important factors of change.

In addition, part of the training enjoyed by the majority of young managers before actually joining the family business is external work-experience.[3] Nine informants considered this as important. Employment in a corporation with global reach or MNC, rather than a small or medium-sized family business was regarded as especially valuable training.

The combination of higher formal education, Western influences and external work-experience shapes the ways of doing business and management styles of the younger generation, which claims authority for their actions and decisions on the basis of their university degrees that in their view certify the promise of success. The younger generation claims authority for their actions and decisions (Bourdieu, 2000: 467–477; Bourdieu, 1999: 502–513; Evers, 2000a,b, 1995; Lachenmann, 1994:285–305). The authority gained thereby is used to justify the implementation of change and to smoothen tensions and conflicts.

3 While eight of the twelve young managers who had already joined the businesses had gathered external work experience in Singapore and abroad before joining, two of the four managers joining soon were currently working in an external company in Singapore.

Table 4: University Education in the West or Singapore

	USA			Europe			Australia/ New Zealand			Singapore			Total
	Ug*	Pg**	PhD***	Ug	Pg	PhD	Ug	Pg	PhD	Ug	Pg	PhD	
Older Generation	1	–	–	2	–	–	1	–	–	–	–	–	4
Younger Generation	5	3	1	–	–	1	2	2	–	2	–	–	16
Total	6	3	1	2	–	1	3	2	–	2	–	–	20

*Undergraduate Degree; **Postgraduate Degree; *** Doctor of Philosophy

3.3 Discussion

There seems to be powerful external pressures for change, but there is also a strong reluctance to implement these changes, especially amongst the older generation. These pressures have different impacts, depending on the sector and size of each business. For example, medium-sized businesses appear to be able to ignore external pressures for several years, while smaller ones have to react immediately in order to survive. Big conglomerates seem generally to be more open to the application of new developments to facilitate growth und economic success.

Internal pressures however, often have to be dealt with immediately in order to prevent conflict which might harm the business more than the introduction of change. Consequently, my informants rated internal factors as more important than external ones. As Linda Tan alleged: "You have to win your own battle first, before you can go and fight outside."

Finally, the perceived rather than the real need for change determines when and how changes are introduced. It seems that this need for change is especially felt by the younger generation, who join the businesses armed with university degrees and external work-experience. It is this *new breed of Chinese business people* that suddenly implements changes and restructures the former traditional Chinese family business in order to survive, expand and succeed. By using knowledge certified by university degrees, external work-experience and hence legitimised authority to put rapid changes into practice, a process of emancipation of the younger generation in traditionally patrilineal and strictly hierarchical Chinese family businesses has begun.

4. Conclusion

Due to Singapore's exceptionally fast economic development, transforming it from a Third to a First World country, society, including Chinese family businesses, has been subject to tremendous external and internal pressures and movements of change.

After a short introduction to the study of overseas Chinese business and a brief definition of Chinese family businesses in Singapore as applied in this study, a description of three case studies followed. The changes introduced included technological, personal, organisational and managerial, as well as changes in marketing. The organisational and managerial changes question the relevance of typical characteristics of Chinese family businesses such as centripetal authority, interpersonal relationships, network relations based on trust (*guanxi* and *xinyong*) and the importance of kinship ties. Multiple external and internal factors foster these changes. External factors such as technological development, increasing competition, changed consumer tastes, the financial crisis of 1997–99, a shortage of labour, government programs and state policies were especially mentioned by my informants. Although the external factors are very powerful, it seemed that they have been ignored by medium-sized businesses for many years, while smaller-sized businesses have followed the external pressures in order to survive. Big conglomerates appeared generally open to change in the attempt to expand and maximise profit. In contrast, internal factors, such as ownership issues, decreasing family size, changes in the staff employed or inter-generational transfer appeared to actually increase the perceived need for change. Moreover, a discrepancy between the reluctance or keenness of the two generations in the businesses was observed. While the older generation acted rather reluctantly upon external and internal pressures of change, the younger generation often functioned as explicit bearers of change, as soon as they entered the business. Therefore, the whole process of change implementation accelerates rapidly – as the findings showed – when the younger generation takes over the business. This generation, which grew up and was socialised in modern and rapidly developing surroundings, experienced university education in Singapore or abroad and gained practical external work-experience in MNCs or GLCs before joining the family businesses. Qualifications and business performance legitimise the younger generation as bearers of authority, no longer family relations or kinship ties.

Considering the speed with which the changes are implemented after years of withstanding the pressures of change, one might speak of a revamping of the traditional Chinese family businesses in Singapore, when the younger generation enters as innovators.

This analysis of the changes implemented by the three Singaporean Chinese family businesses studied, prompts one to ask why these businesses are still characterized as Chinese businesses. Do the changes lead to a detraditionalisation, modernisation and, ultimately, to Westernisation, and therefore eradicate the traditionally Chinese characteristics? While the changes definitely lead to a modernisation and perhaps partly to Westernisation, I would argue that despite these changes, the specifically Chinese characteristics do not completely disappear. Rather, the modern management styles and business strategies of the younger generation adapt the traditional characteristics of the businesses. Traditional Chinese characteristics and modern, possibly Western business styles merge and create together a new amalgam of modern, rationalised and highly successful Chinese family businesses. Characteristics such as small scale and simple organisational structure, focus on one product or market, a paternalistic organisational climate, contracts by handshake, centralised decision-making, as well as the minor importance attached to large-scale market recognition, seem to slowly fade and finally disappear with the increasing success and economic growth of the businesses. Characteristics such as overlap of family ownership and control, a high degree of strategic adaptability, interpersonal relationships, *guanxi* (contacts) and *xinyong* (trustworthiness) appeared to decrease in significance. Nevertheless, they still exist, adapted to the ways of doing business of the younger generation.

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