Research on the Inheritance and Innovation of Family Business Innovation and Entrepreneurship

Li Fan

School of Wealth Management, Ningbo Institute of Finance and Economics, Ningbo City, Zhejiang Province, China

Keywords: Family Business Innovation, Entrepreneurship, Inheritance and Development

Abstract: The inheritance of family business is not only the inheritance of wealth and power, but also the inheritance of entrepreneurship. Entrepreneurship tends to be declining and declining as factors such as increasing size and maturing companies become more mature. Therefore, the inheritance of family business requires the inheritance and innovation of entrepreneurship. This study constructs a multi-level conceptual framework of entrepreneurship, analyzes the root causes of entrepreneurial decline from a multi-theoretical perspective, and proposes different paths of entrepreneurship in family business inheritance and innovation.

1. Introduction

In recent years, more and more scholars have begun to pay attention to the family entrepreneurship field. The issue of intergenerational inheritance of family enterprises is not only the concern of business owners, but also the attention of scholars. However, research on family entrepreneurship has not yet formed a systematic theory. Based on the theory of entrepreneurship, domestic scholar Zhu Suying took the lead in discussing the inheritance of entrepreneurship. She believes that the inheritance, development and innovation of the entrepreneurial spirit of the heir is the key to the successful inheritance of the family business. Yang Xueru and others also believe that family businesses must achieve long-term sustainable development between generations. It does not depend on the simple transfer of power, but from the inheritance of family entrepreneurship behind family businesses. It is this kind of entrepreneurial spirit that is the decisive factor for the long-term success of the industry and the long-term success of the family business. However, entrepreneurship is not as easy to pass on as physical assets. How the entrepreneurial spirit promotes the intergenerational growth of family businesses, how to pass on between generations, and how to be guaranteed in the intergenerational inheritance of family businesses is the main problem in this paper.

2. Entrepreneurship and family business growth across generations

Entrepreneurship plays a vital role in the cross-generational growth of family businesses. First, entrepreneurship can improve a company's ability to adapt to environmental changes. Enterprises carry out various business activities in a certain environment. They cannot exist independently from their environment, and the environment greatly affects the survival and development of enterprises. The environment is the sum of external forces that affect business performance. When the environment changes, it may directly threaten the survival and development of the enterprise, making it easy for the enterprise to fall into a crisis state. If it is not handled properly, the enterprise will not survive; but if the enterprise can seize the opportunity to survive the crisis, it can continue to develop. For example, in the economic crisis, many companies went bankrupt, but there are also some entrepreneurs with innovative spirits and adventurous spirits to find opportunities to get the company out of the crisis and continue to develop. Second, entrepreneurship can continually enhance corporate innovation and control. At present, market competition is becoming more and more fierce. When enterprises participate in market competition, entrepreneurs with innovation and adventurous spirit can continuously enhance their innovation and control. With regard to the
definition of innovation and control, Professor Peng Xingyu believes that innovation refers to the effective transformation of the enterprise's resource elements in the market, thus forming a difference that is different from the competitors of the enterprise, so that the enterprise gains a competitive advantage; Control is the ability of companies to constrain corporate behavior and reduce operational risk, thereby achieving a lower cost advantage than competitors. As the main body of business activities, entrepreneurs mainly experience innovation. Through ideas, system innovation, technological innovation, management innovation, etc., they can greatly enhance the innovation of enterprises and ensure the control of enterprises, thus promoting The continuous development of the enterprise. Third, the entrepreneurial spirit can continuously improve the company's own survival and development capabilities. Entrepreneur with innovation and adventurism is often good at discovering and seizing opportunities for business survival and development. The so-called opportunity for enterprise survival and development refers to the demand that exists or is not fully satisfied in the external environment. Demand can be real or potential, and these needs are market opportunities. These market opportunities often change due to changes in the external environment. We often call it “slightly fleeting”, so if we fail to find and seize opportunities in time, it will often result in “missing opportunities”. Enterprises exist because they can effectively improve the products that meet the needs of consumers. Therefore, the business activities of enterprises should be centered on meeting the needs of consumers. Entrepreneurs with innovation and adventurism can often grasp market opportunities and create consumption. The products demanded by the company will continue to enhance the competitive advantage of the company and continuously improve the survival and development capabilities of the company.

3. The cause of entrepreneurial decline

Coase's "The Nature of Business" published in 1937 analyzes the relationship between business and the market, and believes that enterprises are substitutes for the market. As companies become larger and larger, the costs of intra-enterprise transactions increase compared to external market transactions, and the benefits from entrepreneurial influence may decrease. He distinguishes between four situations: (1) There is a reasonable point in the expansion of the enterprise, that is, the cost of organizing an additional transaction within the enterprise is equal to the cost of completing the transaction on the open market, or equal to another enterprise. Home to organize the cost of this transaction. (2) When transactions within an organization increase, entrepreneurs may not be able to successfully allocate resources optimally. (3) The increase in transactions must reach one point, that is, the loss caused by waste of resources is equal to the cost of trading on the open market, or equal to the loss of the transaction organized by another entrepreneur. (4) Since the “other advantages” of small enterprises are greater than those of large enterprises, the supply price of one or more production factors within the enterprise may rise. These factors act alone or together, leading to the cessation of business expansion. That is to say, as the scale of the enterprise continues to expand, more and more transactions are carried out within the enterprise, and internal transaction costs are getting higher and higher. Entrepreneurs uniquely identify opportunities, utilize valuable resources, and convert inputs into unique products. The ability to emerge will be slowly lost, the role of entrepreneurship may be weakened, and entrepreneurship will be declining.

Complex theory solves the relationship between system and environmental change. Gan Dean applied the complex theory to the study of family business inheritance, and believed that the growth of family business is the process of entropy change. The entropy change is divided into positive entropy change and negative entropy change. The existence or breeding of positive entropy has destructive power to the stable and orderly state of the system. It shows that after entering the stage of decline, the enterprise lacks flexibility and loses controllability. At this time, entrepreneurship is in a state of decline. The existence of negative entropy changes has a benign reaction, which has a positive impact on the development of the system. It is manifested in the stage of growth and before, the enterprise is flexible and controllable, and the entrepreneurial spirit is in a positive state. When the third generation is reached, the family business will have a chaotic situation, the entrepreneurial spirit will be lost, and there will be a curse of “three generations rich“. Therefore, special attention
needs to be paid to entrepreneurship, strategic understanding, and entrepreneurship development of a new generation of successors in family businesses. The life cycle theory of Eddie argues that the decline of entrepreneurs is mainly due to innovation cuts. The psychological age of the business leaders, the leadership style, the perceived relative market share, and the function of the corporate structure directly influence the entrepreneurial spirit of innovation. Guo Wuyan believes that the stage of growth of the company is different and the entrepreneurship is different. In the period of entrepreneurship, entrepreneurship is embodied in the spirit of individual entrepreneurship; in the growth period, the entrepreneurial spirit of strategic leaders is reflected; the maturity period is the entrepreneurial spirit of the core competitiveness builder; the period of change reflects the innovator's Social entrepreneurship. Although this division distinguishes entrepreneurship at different stages, it does not compare its commonalities and differences. Zhou Changcheng and Wu Shufeng believe that when enterprises change from the entrepreneurial stage of development to the more mature stage, the entrepreneurial ability of entrepreneurs and the desire to find opportunities and seize opportunities simultaneously decline. But companies that remain entrepreneurial after great success often have three characteristics: a broad perception of opportunities, and employees who pursue these opportunities. Employees believe that pursuing these opportunities can lead to personal success.

4. The cultivation and inheritance path of entrepreneurship in family enterprises

For the entrepreneurial spirit at the value level, it is necessary to cultivate through indoctrination and demonstration. The formation of entrepreneurship and the development of enterprises are closely related to the personality characteristics of entrepreneurs. Therefore, once this level of entrepreneurship is formed, it often becomes the philosophy of business management and exists as a gene for enterprise development. To continue this philosophy of management and to inherit this gene, it is necessary to cultivate and inculcate this philosophy and value to the heirs. At present, China's enterprise family enterprises that have undergone intergenerational success conversion have cultivated their children's entrepreneurial awareness and entrepreneurial spirit from childhood, so that they love entrepreneurship and love the family business of their parents, and lay a good foundation for future succession. For example, Willard Marriott, the founder of the famous world-class hotel chain Marriott International, taught his son business knowledge on the one hand, and taught his son However to inherit the company's business philosophy of respecting customers and employees. Little Marriott not only abides by the business philosophy set by his father, but also integrates his own efforts to promote the elements of Marriott's operation, not the money, but the genetics of pride and sense of accomplishment that he has accomplished his outstanding work.

Inheritance of entrepreneurship at the level of behavior and competence. Entrepreneurship is done in the middle school and in school. It is impossible to truly realize the cultivation and inheritance of entrepreneurship by simply teaching. Therefore, as the company grows, the heirs as future successors will gradually grow up and enter high school until the university study stage. At this time, it is necessary to train entrepreneurs to actively participate in the practice of entrepreneurial activities. Develop the ability to identify opportunities and seize opportunities in entrepreneurial practice activities. The successor can be directly and indirectly involved in entrepreneurial activities, such as using the production and management activities of the company during vacations and leisure time, or independently engaging in a specific activity, training and cultivating entrepreneurial skills and innovative abilities, and developing entrepreneurs. Entrepreneurial-oriented, rather than resource-oriented behavior. The formation of entrepreneurial spirit at the behavioral level must be realized in entrepreneurial practice activities. The more entrepreneurial activities that heirs are involved in, the more conducive to the accumulation of entrepreneurial knowledge, the more conducive to the formation of entrepreneurial thinking, but also the intergenerational career and the inheritance of entrepreneurship. Inheritance and innovation of entrepreneurship at the activity level. When the alternative successors actually enter the daily management decisions of the family business, the development of the family business often goes into rapid growth, and even enters the mature stage. Various norms and systems are continuously
improved and perfected, and entrepreneurship begins to decline. At this time, it is necessary to entrust greater responsibility for entrepreneurship to children, change and innovate entrepreneurship, and continuously cultivate entrepreneurship through company entrepreneurship, strategic renewal, strategic entrepreneurship, etc., while maintaining the family business DNA, entrepreneurship. Realize the entrepreneurial spirit of family business, and condense the entrepreneurial spirit suiTable for the new situation and new environment.

5. Conclusion

Pay attention to the training of the heirs and establish a succession plan. In the previous discussion, it can be known that in the inheritance of entrepreneurship, conscious training and practical exercise are necessary. It is important not only to emphasize the guidance of the character of the successor from a small age, but also to the edification of entrepreneurship, to allow the successor to receive a good education, to learn modern management knowledge, and to provide practical opportunities. This can effectively guarantee the inheritance of entrepreneurship and promote the intergenerational growth of family businesses. In reality, it can be seen that many family business founders only struggled and lacked long-term succession planning, which led to the family business being “unmanned“. The inheritance of family businesses, especially the inheritance of entrepreneurship, is a long-term job that cannot be accomplished overnight. Therefore, the development of a sound succession plan, including the cultivation, selection and handover of the heirs, is conducive to the intergenerational growth of family businesses.

Acknowledgement


References


