A Central Dogma of Family Business Succession from Corporate Gene Perspective

Qi WANG* and Qiu-ming WU
Economics and Management School, Fuzhou University, Fuzhou, Fujian, 350100, China
*Corresponding author

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Abstract. The essence of family business succession is that family business genes are replicated between generations and then form organizational capacity via organizational routines. The replication of family business genes occurs in the family context and completes the transfer of genes through the interaction between the parents and offspring. The expression of family business genes consists of two parts, namely transcription and translation. The transcription process is realized through strategic routines, administrative routines and technical routines. The translation process involves the forming of organizational capabilities through organizational routines.

Introduction

Family business succession is not only a key link in the evolution of family business, but is also an issue attracting international attention. Based on the process concept, researchers divide the process of succession into several stages, and points out the key tasks at each stage. Although the division of stages has its scientific basis, it does not clarify the nature of succession. This study redefines family business from the perspective of genes and analyzes the nature of family business succession, and puts forward the central dogma of family business genes.

Family Business Succession in a Genetic View

The Redefinition of Family Business

Social biologists, represented by Wilson, an American scholar and Dawkins, a British scholar, believe that the biological evolutionary process, the process of genetic selection and reproduction, also takes place in human society. Sociobiology believes that the fundamental forces that determine biological evolution and human social development are genes. Inspired by this idea, corporate gene theory has emerged in the field of organizational growth research. Tichy, an American scholar, the representative of corporate gene theory, first put forward the concept of corporate gene, pointing out that the corporation, like an organism, has its own genes, which determine the heterogeneity of the corporation, and the evolution of genes is the evolution of corporation (Tichy and Cohen 1998).

Therefore, in light of the corporate gene theory, this paper believes that genes determine the growth of family business. Moreover, This paper puts forward the new definition of family business: family business is a kind of organizational form controlled by family genes.

There are several meanings to this definition: First, as an "economic person", the resource allocation of a family business is dominated by family genes for maximum efficiency. Secondly, as a “biological person”, as a vital being, the survival and development of a family business are determined by its genes. Thirdly, from the "cultural person" perspective, the genes that determine the survival and development of family business are both biological and cultural. Fourth, from the "social person" perspective, the natural selfishness of family genes determines the familial nature of business. Scholars have been discussing the degree of family involvement or some other aspects of influence of family on the business, but they have not considered the fundamental driving force for family business
development. Family business genes, which are both biological and cultural, are the fundamental drivers of family business.

**Genetic Nature of Family Business Succession**

The substance of family business succession have mutated from the succession of ownership or management to that of social capital, tacit knowledge, entrepreneurship and values. Despite the extension of family business succession, its connotation has stagnated. For a deeper understanding, the exploration of the essence of things must extend to the field of philosophy. This study chooses Aristotle's classical essentialism theory and Kripke's modern essentialism theory to analyze the essence of family business succession (Zhang, 1998).

**Familial Origin of Family Business Succession.** Aristotle's "four predicates" theory points out that things have many characteristics, some of which show the essence of thing, and some of which do not. The essence equals with essential characteristics that are set to associated with all the other things and make one thing different from other things. If the predicate can be exchanged with the subject, the proposition is definition or characteristics; if the predicate reveals the essence of the subject, the proposition is a characteristic. If the predicates are exchanged with the subject in "Family business succession is the transferring of leadership ", "family business succession is the transferring of tacit knowledge, social capital, entrepreneurship" and other similar propositions, and we get "the transferring of leadership is family business succession "and" the transferring of tacit knowledge, social capital and entrepreneurship". Obviously, the transferring of leadership, tacit knowledge, social capital and entrepreneurship shows the characteristics of family business, not its essence. Because non-family owned businesses have the same characteristics such as the transfer of leadership. The essential characteristics of family business succession should reflect its unique attributes. The unique attributes of family business should be discussed based on family business itself. The uniqueness of family business lies in the family involvement in business management, so the essential characteristics of family business succession will inevitably be rooted in the influence of family involvement.

**Inherent Regulation of Genetic Succession of Family Business.** Kripke believes that the origin is essential for an individual; the essence of a group of individuals is the internal structure shared by all individuals, which the membership of the group essentially depend on. Family business succession is decided by the inheritance will of the family business owner controlled by domain consciousness. Protection of the domain of family business for family reproduction is the subjective initiative of a family business owner, but from the view of genetic and cultural co-evolution, it is family genes that control the evolution of a family business.

Family enterprise is a dynamic evolution system, and family business succession is the key variable that determines the evolution of family business system. Each succession of family business means breaking the original state of the system and triggering the formation of a new state. From the previous analysis the key factor of family business development is the gene, and succession is the key link of family business system evolution, so the essence of succession is the transfer of family business genes from an old state of the family business system state to a new one.

**Central Dogma of Genetic Succession of Family Business**

Replication and expression, two basic properties of biological genes, are also found with the inheritance of family business genes. However, it is difficult to fully apply the molecular genetic process of biological genes to the reproduction and expression of family genes. This study only imitates the logic of the central rules of biological genes to analyze the central rules of succession of family businesses.
Replication of Family Business Genes

Replication of family business genes takes place in a certain time and space. Family business genes replication occurs in the family context in space dimension; and it occurs in all stages of the entire life cycle of parents and offspring in time dimension. As long as two generations live together or gather somewhere, replication will be occurred.

In the family context, the interaction between parents and offspring contributes to gene delivery. Parents act as family elders and business leaders and convey their experience and knowledge to the offspring through hands-on parenting, and the offspring accept parental knowledge and experience and transform them into their actions through acquisition and imitation. But the replication of family's DNA the exact self-replication that a biological gene does. The material carrier of family business genes—the offspring has the independent consciousness and will process the received information. The independent consciousness of the offspring leads to the selective acceptance of the information transmitted by the parents, and this will undermine the accuracy of family business genes’ replication.

The effect of replication of family business genes is influenced by family context, model power of the sender, absorptive capacity of the receiver and the interaction quality between parents and offspring. The quality of interaction depends on the frequency and validity of interaction. And the quality of relationship between the sender and the receiver is the key variable of interaction frequency and validity.

Expression of Family Business Genes

Family Business Genes, RNA and Proteins. The expression of biological genes is accomplished through the transfer of genetic information to RNA through transcription, and then the translation from RNA into proteins. The expression mechanism of family business gene also follows similar same process, but the analogues of RNA and protein in a family business need to be identified.

Since RNA and DNA have similar structures and characteristics, the RNA of a family business is easy to find. Organizational routine is the core of human organization. Since Stene (1940) formally introduced the concept and explicitly incorporated organizational routines into organizational theory studies, organizational routine has become a core concept of organizational behavior and change research through the continuous study of scholars in different fields of economics and management. A widely recognized definition of routine is “a repeatable, identifiable pattern of behavior formed by the interdependent behavior of multiple actors” (Feldman and Pentland, 2003). Routines are recognized and are patterns of behavior, but routines are not the inner drive for behavior. Organizations need to look for meta-routines that determine routine behavior (Adler, Goldaftas and Levine, 1999) in order to explore the underlying causes of organizational routines. Meta-routines are a fundamental driver of routine behavior, having similar characteristics to genes. This study suggests that genes can be used to explain the origin of routine behavior. The steady and accurate replication of genes is the intrinsic drive of repeatable and recognizable routine behavior.

On the other hand, Nelson and Winter (1982), the representatives of evolutionary economics, have likened routines to corporate genes, which indicate that routines have features of implicitness, certain stability and inertia. But routines as a behavior pattern do not have the inherent characteristics of genes, but only the characteristics of expression. Therefore, this study suggests that routines are more like RNA, and organizational routines can serve as intermediaries for the transcription of family business genes.

The organizational capacity of family business is similar to the proteins of a living body. The reasons are as follows: first, the function of organizational capability is similar to that of proteins. Protein is an important part of the body cells, which contributes to the metabolism of the living body, and is the material basis and the driving force of all living beings.

Enterprise ability theory holds that an enterprise is a collection of capabilities. Zollo and Winter (2002) suggest that organizational capacity can be divided into two categories: operation ability and dynamic ability. Operation ability carries out the operation function, and it is a kind of zero order
capability; dynamic ability carries the function of modifying operation routines, and it is the first order capability that changes zero order capability.

According to Teece, Pisano and Shuen (1997), dynamic capability is the ability with which enterprises integrates, constructs and restructures various internal and external competencies to cope with the rapidly changing environment. Dynamic capability is a learned and stable pattern of collective activity (Zollo and Winter, 2002). Dynamic capability is the driving force of enterprise development and innovation.

Second, the relationship between organizational routines and organizational capabilities determines that organizational capabilities can play the role of protein. Organizational routines are the basic elements of organizational behavior, as well as warehouses for organizational knowledge and organizational abilities (Nelson and Winter, 1982), and organizational capabilities are a high-level routine (or routine set) (Winter, 2003). Routines are regarded by researchers as the building blocks and micro-foundations of capabilities (Teece, 2007). Thus, routines provide an explanation for the source of organizational capabilities. Routines are the core content of capacity and capacity is composed of a set of interrelated routines; routines and capacity have the same essence. Through the above analysis, the central dogma of family business genes is shown in figure 1.

Figure 1. Central dogma of genetic succession of family business.

Transcription and Translation of Family Business Genes. According to the hierarchical structure of an organization, organizational routines can be divided into high-level routines, middle-level routines and low-level routines. The high-level routines are strategic routines, middle-level routines are administrative routines, and the lower-level routines are technical routines. The hierarchical structure provides the downward explanation that "the selection entity at the top determines the retention of the underlying components" (Rosenkopf and Nerkar, 2001); it also has the upward explanation that the lowest building brick decides the whole structure. The downward explanation and the upward explanation are interactive. Therefore, these three routines can perform functions like messenger RNA, transfer RNA, and ribosomal RNA. The function of high-level strategic routines is to accurately record the genetic information of family business and pass it to the middle level administration routines through the interaction within the organization. The middle-level administrative routines that are guided by the high-level strategic routines explain genetic information and pass it to the low-level technical routines.

The second link of expression of family business genes is translation. The doers of high-level routines get the genetic information, translate it into strategic routines and pass them to the doers of middle-level routines. Guided by strategic routines the doers of middle-level routines create their own administrative routines and pass them to the doers of low-level routines who formulate their own technical routines. In this way the capabilities of family business have been eventually formed. Middle-level and lower-level routines are the source and components of the zero-order capability, and strategic routines are the core unit of first-order capability. Through the two processes of upward explanation and downward explanation, three levels of routines form an interactive field where the doers take subjective initiative and formulate organizational capacity of the family business.

In the interaction field, the knowledge and ability of doers of high-level routines play the key role. Many scholars verify that senior managers’ cognitive representation, cognitive model and personal schema are the key foundation of organizational dynamic capability.
Summary
Family business is a kind of organizational form controlled by family genes. The essence of succession is the transfer of family business genes from an old state of the family business system to a new state. Gene replication of family business takes place in family context, where parents transfer their experience and knowledge to the offspring through hands-on parenting and the offspring accept parental knowledge and experience through acquisition and imitation. The expression of family business genes has two links: transcription and translation. Transcription is the process of transferring genes into organizational routines and translation is the process of transferring organizational routines into organizational capabilities.

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References