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Crisis Management and Succession Planning: Analyzing the Wahaha Inheritance Dispute

Xiaolan Zheng

Guangzhou College of Commerce, Guangzhou 511363, China

Abstract

The sudden passing of Zong Qinghou, the founder of Hangzhou Wahaha Group, in February 2024 has led to a significant inheritance dispute that has captivated both the media and the business world. Kelly Zong Fuli, the founder's daughter and current chairwoman of the company, faces legal challenges from individuals claiming to be her half-siblings, resulting in a legal battle over the control of the company and its substantial assets. This crisis highlights the challenges that family-owned businesses face in succession planning, governance, and crisis management. This paper aims to analyze the inheritance dispute through the lens of crisis management, focusing on how Wahaha's leadership, governance structures, and succession strategies have impacted the organization's response to the conflict. The study applies relevant crisis management theories, such as stakeholder theory and contingency theory, to understand how the company navigated the complex web of familial, legal, and business challenges. In doing so, the paper provides insights into best practices for crisis response and succession planning in family businesses, emphasizing the need for clear governance structures and proactive crisis preparedness.

Keywords

Crisis Management; Succession Planning; Governance; Wahaha Group; Inheritance Dispute; Leadership.

1. Introduction

Family-owned businesses face unique challenges related to succession planning, governance, and crisis management. The recent inheritance dispute involving Hangzhou Wahaha Group, one of China's largest beverage manufacturers, exemplifies these challenges. The death of Zong Qinghou, the company's founder, in 2024 triggered a significant leadership crisis, as his daughter, Kelly Zong Fuli, found her leadership contested by individuals claiming to be her half-siblings. The dispute, which involves control of assets exceeding $2 billion, has highlighted the vulnerabilities of family-owned businesses in handling leadership transitions and intra-family conflicts [1,2].

Wahaha's crisis underscores the critical importance of effective governance structures, particularly in family-run businesses where leadership roles are often passed down through generations. In many cases, succession plans are not clearly defined, leading to uncertainties and conflicts when the founder or key leader passes away. Zong Qinghou's death left Wahaha without a clear succession plan, which led to legal battles over control of the company, including disputes concerning offshore trusts and company shares [3,4]. The legal challenge to Zong Fuli's leadership emphasizes the need for businesses, particularly in China's unique legal and cultural context, to establish comprehensive succession planning and crisis management strategies.

Family businesses, especially those in China, are heavily influenced by traditional norms that often complicate formal business structures [5]. The leadership dispute at Wahaha also reflects a broader challenge in Chinese business governance, where familial relationships sometimes

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take precedence over formal business structures. This scenario poses a serious risk to corporate stability, particularly when business operations are intricately tied to the founder's personality and legacy. Wahaha's case illustrates the potential dangers faced by family firms that lack formalized governance and transparent succession mechanisms.

This paper aims to analyze the Wahaha inheritance dispute from a crisis management perspective, using it as a case study to explore how family businesses can better navigate leadership transitions and crises. By applying crisis management frameworks, such as stakeholder theory and contingency theory, this study examines the responses of Wahaha's management to the legal and familial pressures it faced. Specifically, the paper will focus on how the company's governance structures, or lack thereof, contributed to the intensification of the crisis. Furthermore, it will assess the role of crisis management theories in helping the company address this complex, multifaceted issue [5, 6].

The insights drawn from this case study are intended to offer valuable recommendations for other family-owned businesses, particularly in the Chinese market, on how to prevent or mitigate similar leadership disputes. Proactive crisis management, clear governance structures, and transparent succession plans are essential for ensuring the stability and long-term survival of family businesses [6,7]. Thus, this study not only contributes to the academic literature on crisis management and family business governance but also provides practical guidance for practitioners in the field.

2. Literature Review

2.1. Crisis Management in Family Businesses

Crisis management is a critical area of study, particularly in family-owned businesses where emotional ties and informal governance structures often complicate decision-making. Family businesses are inherently vulnerable to crises due to the intertwining of family dynamics and business interests. According to Chua and collaborators, family businesses face unique challenges when navigating crises, as decisions are often influenced more by family relationships than formal organizational procedures [6]. These businesses are especially susceptible to leadership crises during transitional periods, such as the death or incapacity of a founding member, as demonstrated by the situation at Wahaha.

Crises in family firms, such as those arising from inheritance disputes, are often exacerbated by unclear governance structures. Miller suggests that without formal governance frameworks, family businesses struggle to manage the dual pressures of personal and professional interests, which can amplify crises [1]. This highlights the need for well-structured crisis management plans that address not only operational concerns but also family tensions. Effective crisis management entails the timely identification of risks, transparent communication, and stakeholder engagement-all of which are often overlooked in family businesses due to their informal governance.

2.2. Governance Structures in Family-Owned Businesses

Governance structures are essential for ensuring stability and facilitating smooth leadership transitions in family businesses. In the absence of formal governance structures, these businesses become vulnerable to conflicts over control, ownership, and succession. Schulze & Bövers assert that effective governance in family businesses must balance both family and business interests, creating harmony between emotional ties and strategic decision-making [7].

Governance mechanisms that integrate family involvement with professional management can provide stability in times of crisis. However, when governance is weak or ambiguous, as seen in the case of Wahaha, it leads to power struggles, poor decision-making, and confusion regarding succession. Koh and Lee point out that the lack of clear governance not only hampers

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effective crisis resolution but also impedes a family business's ability to maintain its competitive edge in the market [5].

Family businesses often rely on informal governance, where decisions are made through consensus or top-down authority by the founder. While this approach can work well in the early stages of business development, it becomes problematic as the company grows and faces more complex challenges. For Wahaha, the lack of a formal governance structure led to difficulties in managing the inheritance dispute, as family members were divided over who should lead the company.

2.3. Succession Planning and its Importance

Succession planning is another critical aspect of governance in family-owned businesses. Chua and collaborators emphasize that family businesses with established succession plans tend to have smoother transitions, avoiding leadership crises like the one at Wahaha [6]. Succession planning is not only about selecting a successor; it also involves preparing the next generation for leadership roles and ensuring that the founder's values and vision are preserved. Without this foresight, family businesses are vulnerable to conflicts and legal battles when leadership transitions occur.

One of the key challenges in succession planning is ensuring that the successor is both capable and accepted by family members and other stakeholders. Schulze & Bövers suggest that succession should involve more than simply passing down leadership; it should also ensure that the new leader is equipped to handle the company's strategic direction [7]. The inheritance dispute at Wahaha exemplifies the risks of inadequate succession planning. The failure to define clear lines of leadership and ownership rights resulted in confusion and legal disputes, which have harmed the company's reputation and operations.

2.4. Crisis Management Frameworks in Family Businesses

Several crisis management frameworks are particularly relevant for family businesses, especially during leadership transitions. Contingency theory, for example, emphasizes that crisis responses should be tailored to the specific context of the crisis, rather than following a one-size-fits-all approach. Koh and Lee explain that contingency theory suggests businesses should assess their resources, organizational culture, and external environment before implementing crisis management strategies [5]. In the case of Wahaha, a contingency approach could have involved assessing both the legal and emotional dimensions of the inheritance dispute, and tailoring communication and resolution strategies accordingly.

Stakeholder theory also plays a critical role in managing crises in family businesses. Freeman posits that businesses should consider the interests of all stakeholders-employees, shareholders, customers, and family members-when managing crises [8]. Wahaha's handling of the inheritance dispute could have been improved by proactively engaging with all stakeholders, including employees who may feel uncertain about the company's future, as well as external partners concerned about its stability.

Finally, Benoit's image repair theory provides insights into how companies can manage public perception during a crisis. The theory identifies strategies such as denial, evasion of responsibility, and corrective action, all of which are relevant in crisis communication [9]. For Wahaha, addressing public perceptions of the dispute and communicating a clear path forward could have mitigated reputational damage. However, the company's reactive response, focused mainly on legal action, did little to repair its public image.

ISSN: 2688-9323

3. Crisis Management and Response

3.1. Case Overview: Wahaha's Governance Crisis

Hangzhou Wahaha Group, founded by Zong Qinghou in 1987, grew to become one of China's largest beverage conglomerates, with assets surpassing $2 billion by 2024 [1]. Zong's leadership style and entrepreneurial vision were central to the company's success. However, his sudden death in 2024 triggered an inheritance dispute that exposed the vulnerabilities of family-owned businesses during leadership transitions. Figure 1 shows the timeline of the key events regarding this crisis until August 2025. Zong Fuli, his daughter and chairwoman of Wahaha, faced a legal battle when three individuals claiming to be her half-siblings demanded a share of the inheritance [4]. These claims extended to control over offshore trusts and stakes in Wahaha's various business ventures.

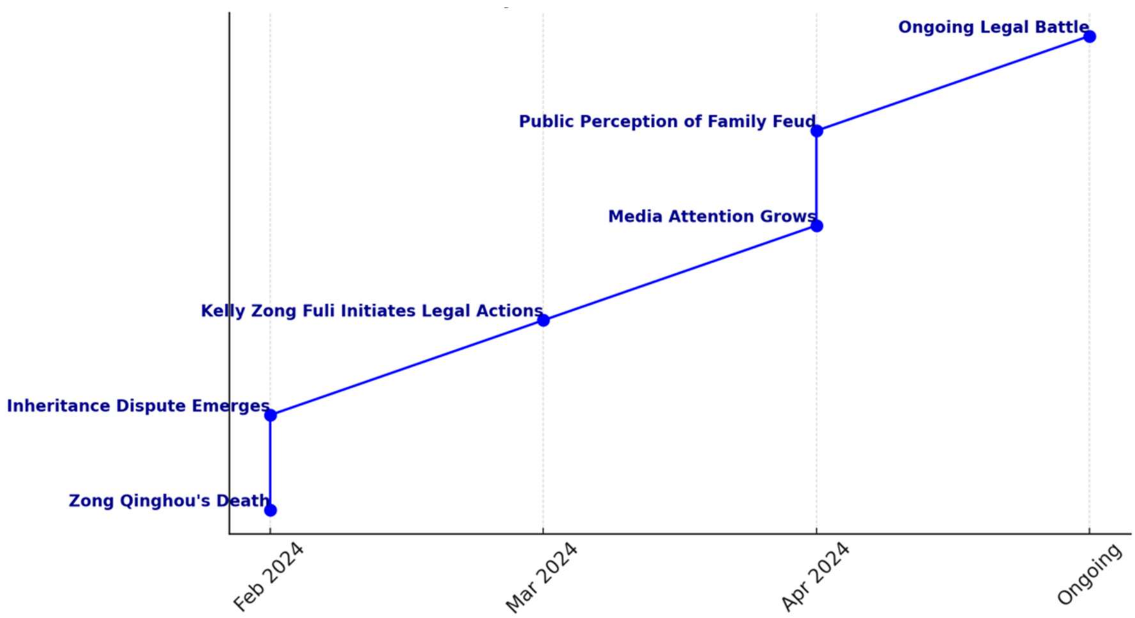

Figure 1. Timeline of Key Events in the Wahaha Inheritance Crisis

The crisis revealed a significant flaw in Wahaha's governance structure. The company, which had flourished under Zong Qinghou's autocratic leadership, lacked formal succession planning or a clear governance framework. Schulze & Bövers argue that such gaps in governance render family businesses vulnerable during leadership transitions [7]. In Wahaha's case, the absence of defined governance structures exacerbated the inheritance dispute, as family members became divided over leadership and control of the company. This internal conflict further complicated the company's reputation, operations, and long-term stability, leaving key stakeholders-including employees, investors, and the public-in a state of uncertainty regarding the company's future direction.

3.2. Crisis Response and Stakeholder Engagement

In response to the inheritance dispute, Wahaha's primary strategy was legal: the company engaged in litigation to protect Zong Fuli's leadership and to freeze the assets of her half-siblings. While legal action was necessary to protect the company's financial interests, Benoit suggests that relying solely on litigation may damage a company's public image and prolong a crisis [9]. Wahaha's emphasis on legal defense, rather than prioritizing communication and proactive stakeholder engagement, contributed to the prolongation of the crisis.

ISSN: 2688-9323

As Wahaha navigated the inheritance dispute, it faced not only legal challenges but also the need to manage various stakeholder interests. The following stakeholder map (Figure 2) illustrates the complexity of the crisis, showing the different groups involved and their roles in the conflict. Proactively engaging with these stakeholders, particularly employees and investors, could have mitigated some of the reputational damage.

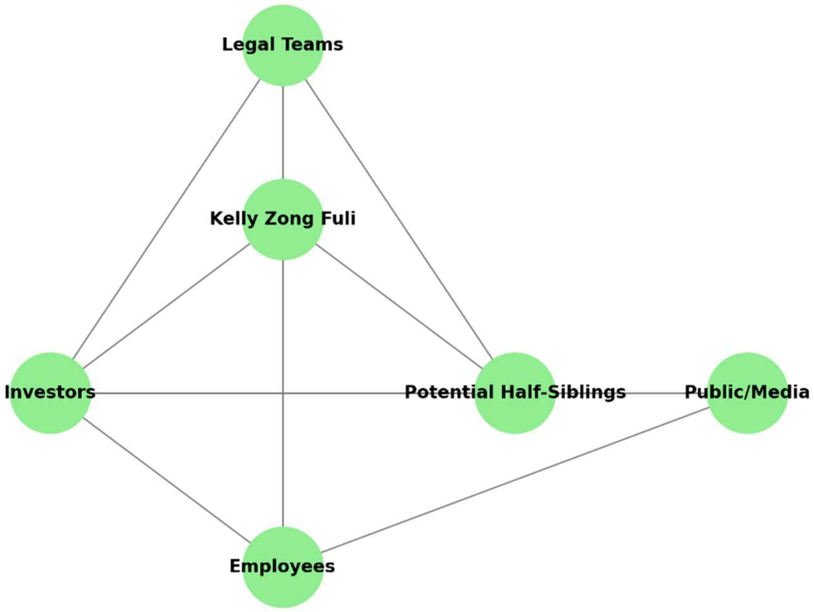

Figure 2. Stakeholder Mapping in the Wahaha Inheritance Crisis

Stakeholder theory emphasizes the importance of managing relationships with all affected parties during a crisis [8]. Wahaha's failure to proactively engage stakeholders-particularly employees and investors-left many uncertain about the company's future. The public perception of the family feud, amplified by media coverage, undermined the company's brand and reputation. Crisis communication strategies, such as offering transparent updates and demonstrating a commitment to resolving the issue, could have alleviated some of the negative impact. However, Wahaha's communication was primarily defensive, focusing on protecting its legal position rather than reassuring stakeholders about the company's long-term stability.

Had Wahaha employed the communication strategies outlined in Benoit's image repair theory, it could have mitigated reputational damage by openly addressing the internal conflict and assuring stakeholders of the company's commitment to stability [9]. A more balanced response, combining legal defense with transparent communication, could have reduced the negative impact of the crisis.

3.3. Contingency Theory and Wahaha's Crisis Response

Applying contingency theory to Wahaha's crisis response highlights the importance of tailoring crisis management strategies to the specific context of the crisis [5]. According to contingency theory, businesses must assess their resources, environment, and the nature of the crisis to develop an appropriate response. However, Wahaha's approach lacked flexibility, focusing almost exclusively on the legal defense of its leadership position without considering the broader emotional and social dimensions of the dispute.

In family businesses, crises often involve not only financial and operational challenges but also complex familial and emotional issues. Wahaha's failure to address these aspects contributed to the escalation of the conflict. A contingency-based approach would have involved engaging

ISSN: 2688-9323

in mediation or negotiation, potentially seeking a resolution outside the courtroom. Furthermore, Wahaha could have enlisted external crisis management experts to navigate the intricate dynamics at play. Instead, the company's rigid legal approach exacerbated the situation, prolonging the dispute and damaging relationships within the family and with other stakeholders.

A more contingency-driven response would have recognized the legal, emotional, and social dimensions of the crisis, crafting a more comprehensive crisis management strategy that balanced legal, relational, and communication considerations.

3.4. Lessons Learned and Recommendations for Family Businesses

The Wahaha inheritance dispute offers several valuable lessons for family-owned businesses confronting leadership transitions and crises. First, it emphasizes the importance of establishing clear governance structures. Without defined leadership roles and succession plans, family businesses are vulnerable to internal disputes that may threaten their stability. Chua and collaborators assert that a well-structured governance system that integrates both professional management and family involvement can mitigate the risks associated with succession [6]. Wahaha's lack of such a system only exacerbated the crisis and delayed the resolution of the inheritance conflict.

Second, family businesses must integrate crisis management frameworks, such as stakeholder theory and contingency theory, into their operations. Crisis management should not be limited to legal defense but must also incorporate proactive communication and stakeholder engagement strategies. Wahaha's failure to do so underscores the risks of focusing exclusively on legal remedies without addressing the broader relational and reputational aspects of the crisis. Family businesses should invest in crisis management training for their leaders and ensure they have clear, adaptable strategies in place for handling leadership transitions.

Finally, succession planning is a critical component of family business governance. Wahaha's crisis highlights the need for clear and well-communicated succession plans that address both leadership capabilities and the family dynamics that may influence business decisions. Schulze & Bövers suggest that businesses with well-defined succession strategies are better positioned to manage leadership transitions and mitigate the impact of crises [7].

4. Implications for Family Business Governance and Succession Planning

4.1. The Importance of Governance Structures in Family Businesses

The inheritance dispute at Wahaha highlights the crucial role of governance structures in family-owned businesses. According to Koh and Lee, well-defined governance frameworks are essential for managing the operational and emotional complexities that arise during leadership transitions [5]. When family members exert significant control over a business without formal governance mechanisms, the likelihood of disputes increases. Wahaha's lack of a clearly defined governance structure, where decisions were largely made by the founder, Zong Qinghou, resulted in an unstable leadership transition following his sudden passing.

Governance in family businesses presents challenges, as it must balance family interests with business imperatives. Schulze & Bövers argue that effective family business governance integrates both professional management and family involvement, ensuring clarity and stability during crises [7]. Had Wahaha implemented a more formalized governance structure, the inheritance dispute could likely have been more effectively managed. The absence of formalized conflict resolution procedures within the family allowed the dispute to escalate into a public legal battle, damaging both the company's reputation and operations.

Furthermore, governance structures must account for not only family dynamics but also external factors such as market conditions and regulatory environments. Wahaha's failure to

ISSN: 2688-9323

engage with external stakeholders-such as employees, investors, and the media-during the crisis exacerbated the situation. Freeman emphasizes that stakeholder management is vital for navigating crises in family firms [8]. The company's failure to establish clear governance mechanisms and a robust decision-making framework contributed to the prolonged nature of the inheritance dispute.

Additionally, in line with the stewardship theory proposed by Jasir and collaborators, family businesses often rely on trust and commitment among family members to guide decision-making [10]. However, this model requires formalized systems to ensure that all stakeholders are taken into account. In Wahaha's case, the lack of such systems allowed personal family matters to interfere with business operations, creating further uncertainty.

4.2. The Need for Clear Succession Planning

A well-structured and clear succession plan is fundamental to the stability of any family-owned business, particularly in cases like Wahaha, where the founder plays a dominant role in both the company's operations and its culture. Chua and collaborators emphasize that succession planning is a critical aspect of family business governance, as it ensures continuity and prepares the next generation for leadership [6]. Wahaha's crisis underscores the risks of inadequate succession planning: with no clear successor identified prior to Zong Qinghou's death, the company became embroiled in legal and familial disputes over control.

Effective succession planning goes beyond simply appointing a successor; it also requires preparing the next generation for leadership and aligning them with the company's long-term vision [7]. Wahaha could have avoided this crisis by establishing a formalized succession plan that clearly defined leadership roles and outlined a structured process for leadership transitions. The absence of such a plan left the company vulnerable to internal conflicts, as family members who felt entitled to control the company but had not been involved in its management were able to challenge Zong's position.

In addition, Umans and collaborators discuss how family governance practices-such as setting clear expectations for leadership succession and integrating family members into governance roles [11]-can help prevent crises like the one at Wahaha. The company's failure to integrate these practices left it unprepared for the leadership transition, resulting in a power struggle that impacted both business operations and family relationships.

In the absence of clear succession plans, Chua and collaborators recommend that family businesses consider professionalizing their management structures, incorporating external advisors, or creating a board of directors to mediate family conflicts [6]. Wahaha's lack of these mechanisms contributed to the intensity and duration of the dispute, underscoring the importance of planning for both leadership transitions and potential crises that may arise during these transitions.

4.3. Cultural and Legal Factors in Succession Planning

Family businesses in China face distinct challenges due to cultural and legal factors that influence succession planning and governance. Schulze & Bövers explore how cultural norms related to family authority and respect often shape decision-making in family businesses, complicating governance and leadership transitions [7]. In Wahaha's case, the strong familial ties and respect for the founder's authority made it difficult to challenge or formalize succession plans until it was too late. The reluctance to seek external advice or incorporate professional management further exacerbated the crisis when Zong Qinghou passed away without a clear succession plan.

The legal environment in China also plays a significant role in succession planning, particularly with respect to inheritance laws and business regulations. The legal battles surrounding Wahaha, which spanned both Hong Kong and China's mainland, illustrate the complex

ISSN: 2688-9323

interaction between family dynamics and legal frameworks. As Koh and Lee note, family businesses must navigate these intricate legal environments to ensure that their governance structures are legally sound and resilient to legal challenges [5]. Wahaha's failure to address the legal implications of its succession planning left the company vulnerable to prolonged litigation and potential power struggles among family members.

Phan, Butler, and Lee highlight how aligning family values with business needs can help manage corporate governance and succession in family firms, emphasizing the role of legal systems in ensuring the success of leadership transitions [12]. Family businesses must also be aware of cultural dynamics and legal nuances when preparing for leadership changes. Wahaha's crisis could have been mitigated by involving legal experts and culturally informed advisors in the succession planning process, ensuring that the leadership transition was both legally and culturally sound.

4.4. Recommendations for Family Businesses

Based on the lessons learned from Wahaha's inheritance dispute, several key recommendations can be made for family businesses seeking to avoid similar crises.

First of all, family businesses should establish formal governance structures that clearly define roles, responsibilities, and decision-making processes. It is essential to create governance frameworks that outline the leadership structure and decision-making authority, especially in times of crisis. Wahaha's reliance on informal governance contributed to the prolonged nature of the inheritance dispute [13]. A more formalized approach to governance, including the establishment of a board of directors, could have alleviated some of the confusion and power struggles that emerged, ensuring smoother leadership transitions.

Moreover, family businesses must develop comprehensive succession plans that are proactive, transparent, and integrated into the company's long-term strategy. Succession planning should not only focus on identifying a successor but also on preparing multiple family members for leadership roles, engaging external advisors, and developing clear processes for leadership transitions [14]. Wahaha's failure to establish a formal succession plan led to uncertainty and conflict within the company. A clearer roadmap for the future, with well-structured procedures for leadership handovers, could have prevented the disputes over control and succession that intensified the crisis.

Another critical recommendation is for family businesses to engage stakeholders proactively, particularly during crises. According to Freeman's stakeholder theory, addressing the concerns of employees, investors, and the broader public during times of crisis is essential [8]. Wahaha's failure to engage with stakeholders during the inheritance dispute contributed to reputational damage and prolonged uncertainty. By taking a more proactive approach to stakeholder communication, family businesses can manage relationships more effectively, ensuring that all parties feel informed and valued, thus helping to mitigate reputational risks and maintain trust.

Lastly, family businesses in China must incorporate both legal and cultural considerations into their governance and succession planning processes. Understanding the legal framework surrounding inheritance and family ownership is crucial for managing disputes effectively [15]. Importantly, family businesses must recognize the cultural dynamics that shape family decision-making, particularly in China [16]. Integrating legal professionals and cultural advisors into the governance process can ensure that succession plans are not only legally sound but also culturally acceptable. By doing so, family businesses can avoid unnecessary legal battles and ensure smoother transitions, in line with both legal requirements and familial traditions.

5. Conclusion

The inheritance dispute at Wahaha Group provides valuable insights into the challenges faced by family-owned businesses, particularly when leadership transitions occur without clear governance structures or succession plans. The case highlights the critical importance of establishing formal governance frameworks, developing comprehensive succession plans, and proactively engaging with stakeholders. Wahaha's crisis response, which focused primarily on legal defense, demonstrated the limitations of relying solely on litigation in crisis management. Instead, integrating crisis communication strategies and contingency-based approaches could have mitigated reputational damage and internal conflict.

This paper emphasizes the need for family businesses to adopt professionalized governance structures, incorporate both family and legal perspectives into succession planning, and prepare for crises by using established crisis management frameworks such as stakeholder theory and contingency theory. By learning from Wahaha's experience, other family-owned businesses can better navigate leadership transitions, reduce the risk of internal conflict, and ensure their long-term sustainability.

In conclusion, family businesses that prioritize governance, succession planning, and crisis management are more likely to navigate leadership transitions successfully and emerge stronger in the face of crises.

Acknowledgments

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