

Research on the Management of Small and Medium-sized Family Enterprises in China

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Abstract. Family business has a long history of two or three hundred years. Reform and opening up in 1978 accelerated the development of our country, one of the prominent features of which is the emergence of a large number of family businesses with Chinese characteristics. Starting from the definition of family business and family business management, this paper analyses various problems in the management of small and medium-sized family business in China, then analyses the reasons behind them, and puts forward relevant countermeasures.

Keywords: Small and medium-sized enterprises, management, influencing factors, countermeasures.

1. Introduction

Since the reform and opening up in 1978, private economy has played a great role in promoting the economic development of our country, and has promoted the development of family enterprises in our country. Therefore, this research starts with the family business, and analyses the management problems of these family business, which has a positive impact on the construction and development of contemporary enterprise system in China. [1]

1.1 The Concept of Family Business

At present, there is still no unified definition of family business. However, after collecting data, the author found that most scholars believe that whether a company is a family enterprise is mainly related to the degree of control of family members over its assets. The more control a family member has over the assets of a business, the more it belongs to the family business. [2] Also, a business is considered a family business when ownership is vested in family members. However, at present, the ownership of family businesses varies among family members. Therefore, there is a big gap between family businesses and other types of businesses, and family businesses also have their own typical characteristics. [3] For example, the ownership and management rights of enterprises belong to family members, and the management mode of enterprises is similar to the "parent mode". In addition, small and medium-sized family enterprises in China often have the characteristics of closeness and exclusiveness.

1.2 The Concept of Family Business Management

In many small and medium-sized family enterprises in our country, family members want to control the ownership and management rights of enterprises, and are unwilling to give them to others, nor to separate the two rights. At the same time, many important positions in enterprises are held by family members, and in the process of decision-making, most of them have the right to speak only by family members. [4] In view of this, the author believes that the management of small and medium-sized family enterprises is quite different from that of other types of enterprises. They mainly focus on coordinating the relationship and contradiction between family members in enterprises, rather than on managing enterprises and planning for the future development of enterprises. At the same time, in the process of the development of small and medium-sized family enterprises in China, there are mainly two factors leading the management mode of enterprises. On the one hand, the management is directed towards the enterprise objectives, on the other hand, the management of enterprises is based on the relationship between family members.

2. The Problems in the Management of Small and Medium-sized Family Enterprises

2.1 Closed Structure of Property Rights

At present, the growth background of small and medium-sized family enterprises in China is different. In addition, they are mostly composed of family members in the early stage of entrepreneurship. Therefore, small and medium-sized family enterprises in China inevitably have strong value characteristics, which is also reflected in their corporate culture. In the long-term production and operation process, many family business members have also produced great tacit understanding. But everything has two sides. The tacit understanding among family business members has both advantages and disadvantages for enterprises. Many family members are not well educated and know little about business management. Therefore, in the process of business operation, these family members continue to adhere to the uniqueness of their property rights and are unwilling to receive foreign funds. In the eyes of the family members who have a shallow understanding of the property rights of enterprises, they hope that they can grasp the property rights of enterprises and occupy an absolute and unique position, which seriously results in their unwillingness to participate in shares except family members in different stages of the development of family enterprises. In other words, close to closed management structure has become the biggest obstacle to the sustainable development of family business. Essentially, this management mode also hinders the sound and rapid development of enterprises. At the same time, the author also found that in many family enterprises in our country, such a management structure has emerged, which is also one of the important reasons for the final decline of many family enterprises. [5] To sum up, for small and medium-sized family enterprises in China, we should fundamentally change the traditional ideas and promote the property rights structure of family enterprises to develop in the direction of modernization, which is also one of the scientific means to promote the healthy development of enterprises.

2.2 The Ambiguity of Management Right and Ownership

At present, the emergence and development of all family businesses are closely related to the business philosophy of the core figure of business leaders. However, many managers of family enterprises in our country are not well educated, and fail to establish a good sense of learning, and there are some problems such as backward personal concepts, which has greatly led to the unscientific management model of small and medium-sized family enterprises in our country. At present, the development of enterprises has a great relationship with property rights. Usually, many large advanced enterprises adopt the management mode of separation of ownership and management rights. However, in our country, most small and medium-sized family enterprises concentrate their ownership and management rights on one person. [6] At the same time, these managers spend most of their time in the production and operation of enterprises. Therefore, these managers do not have enough time and energy to plan the next development plan of enterprises. This is also one of the drawbacks of the two kinds of authority not separated or ambiguous to our national enterprises. At the same time, from the point of view of enterprise management mode, ownership and management rights are ambiguous or not separated, which is harmful to enterprise management efficiency and market competitiveness. In addition, the management of enterprises needs more time and energy. At the same time, it also requires managers to have professional management knowledge. However, many family businesses do not realize the importance of management, which leads to the failure of enterprises to develop well and quickly.

2.3 Inborn Defects in Human Resources Management

In China, people attach great importance to blood relationship, which is particularly prominent in family enterprises. In many small and medium-sized family enterprises in China, managers mostly choose their relatives and friends as senior managers. At the same time, many important functional departments in family enterprises also choose their close people to serve. In other words, these business managers have not been deeply aware of the importance of choosing high-quality talents.

They choose employees for every position who have a good relationship with themselves, which cannot promote the healthy development of enterprises. Moreover, many important functional departments play an important role in the operation of enterprises. They should choose suitable high-quality talents rather than those who are close to them. At the same time, when enterprise managers choose suitable talents for their posts, they do not consider the professional ability and comprehensive quality of talents, but proceed from the social relationship of personnel, which has also produced great drawbacks. For example, the staff who choose this way do not complete their tasks seriously in their posts, even better than those who lack the corresponding ability, leading to enterprises. The development is getting slower and slower, or even backward.

2.4 Imperfect Decision-making Mechanism

In many small and medium-sized family enterprises in China, entrepreneurs are the core task of enterprises, and they play an extremely important role in both family members and enterprises. At the same time, the decision-making of these entrepreneurs is also related to the later development of enterprises. A successful family business is closely related to entrepreneurs' advanced ideas and first-class management model. However, because of the continuous development of enterprises and the changing market environment, the ability of many entrepreneurs cannot keep up with the pace of the times, which has become an obstacle to the rapid development of enterprises. Therefore, most entrepreneurs only play a leading role in the early stage of entrepreneurship. However, with the continuous expansion of the scale of enterprises, the market environment has also undergone tremendous changes, the development of enterprises is no longer a matter of entrepreneurs alone, but of all personnel within the enterprise. Therefore, small and medium-sized family enterprises in China should pay more attention to the management and decision-making of enterprises, and improve the scientific and rational decision-making mechanism, so as to promote the healthy development of enterprises.

3. The Main Factors Affecting the Management and Development of Small and Medium-sized Family Enterprises

3.1 Quality of Operators

If the educational level of family business managers is low, there is a great probability that they will neglect to build a sound management system. In addition, if the educational level of family business managers is low, it is also possible to lack the corresponding management knowledge, which cannot solve a series of management problems in time. In the early stage of entrepreneurship, many operators only have a very low level of education. However, in the process of entrepreneurship, with the reform and development of market economy, market competition is becoming more and more fierce. Therefore, the market also puts forward higher requirements for business managers. Especially for family business managers, they should have professional managerial literacy and ability, and be able to accurately grasp market information.

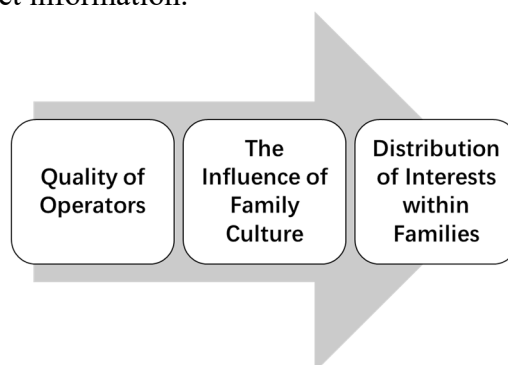


Fig. 1 Main Factors Affecting

3.2 The Influence of Family Culture

For family members, family culture takes a long time to form. Therefore, many family members are not aware of their own family culture, but for enterprises, it will have a huge impact. In many areas, because the local customs are more traditional and feudal, there are also obvious family boundaries in the local family business, which has a great probability of hindering enterprises from absorbing more outstanding talents. At present, many family businesses show exclusiveness, which is also closely related to family culture. Moreover, excellent family culture should enable enterprises to move forward in the direction of healthy development. For example, during the Republic of China, there were two famous family enterprises, namely Hengfeng Yarn Mill and Rong's family enterprises. The former has a great conflict with the increase of the profits of the enterprises because of the family members, but the managers of the enterprises cannot coordinate this contradiction, which eventually leads to its decline. However, the latter, because of the openness of family culture, has created a commercial legend, which has been praised by people up to now.

3.3 Distribution of Interests within Families

In many areas of family business, because of the uneven distribution of internal interests, which caused a lot of conflicts. For family business, the initial establishment is dependent on blood relationship. Therefore, at the beginning, each family member has no strong desire to possess the economic interests of the enterprise. However, with the continuous development of enterprises, the economic profits of enterprises are getting higher and higher, and the desire of families to occupy the profits of enterprises is also increasing. Under such circumstances, if the business operators cannot solve this contradiction scientifically and effectively, then there is a great probability of disputes between family members, or even divergence.

4. Measures to Deal with Problems in the Management of Small and Medium-sized Family Enterprises

4.1 Changing the Management Mode of Family Business and Introducing Professionals



Fig. 2 Management of Small and Medium-sized Family Enterprises

In order to occupy more market share and internationalize enterprises, it is necessary to strictly standardize the management mode of enterprises. In addition, enterprises should fundamentally solve the traditional management mode of ownership centralization. Among them, the most direct and effective way is to introduce professional managers, and adopt a scientific and effective way to separate the ownership, management and management of enterprises. At the same time, enterprises also need to build a sound incentive system, and adopt the way of share or dividend distribution, so as to improve the enthusiasm of employees and fundamentally promote the formation of a good

working atmosphere in enterprises. Moreover, enterprises should also provide high-quality working environment to attract more talents and retain high-quality talents, so as to promote the sound and rapid development of enterprises.

4.2 Reform of Property Rights

In order to truly avoid the internal contradictions arising from small and medium-sized family enterprises, enterprises need to carry out property rights reform. Moreover, the shares of family members also need to be strictly based on each family member's contribution to the enterprise. In addition, the shares of enterprises not only belong to family members, but also should be allocated to employees who have made outstanding contributions according to the degree of contribution. At the same time, enterprises should constantly introduce investors, and attract foreign capital into family enterprises, but also need to use foreign resources to constantly promote the development of enterprises. In other words, only by making property rights diversify, can we really stimulate the vitality of enterprises and thus encourage more employees to contribute to enterprises.

4.3 Improving the Management System of Enterprises and Improving the Execution Ability

Small and medium-sized family enterprises also need to constantly improve the enterprise management system and standardize the production and operation mode of enterprises, so as to promote the development of enterprises in the direction of standardization and promote the sound and rapid development of enterprises. For enterprises, the system is a very important part, the main reason is that in the different links of the operation of enterprises, systems are needed to regulate, such as production, procurement, marketing, design and so on. At the same time, only in strict accordance with the system, can enterprises operate scientifically and effectively, and so can family enterprises. In the operation of family enterprises, in order to ensure the scientific and efficient operation of enterprises, we need to adopt a sound system to ensure that.

4.4 Focusing on the Development of Enterprise Culture

When enterprises continue to create economic benefits, they should also attach importance to developing their own corporate culture, which is also true for family businesses. Excellent corporate culture is to unite the staff within the enterprise, so as to eliminate the contradictions within the enterprise scientifically and effectively, and improve the cohesion of employees, thereby promoting the sound and rapid development of the enterprise. Enterprise managers should keep in mind the hard work of employees, so as to create a warm working environment for employees, and always care about their lives, so as to carry out all kinds of enterprise activities and improve their recognition of enterprises. They also need to constantly encourage employees to improve their professional quality and ability, so as to meet the needs of enterprise development for talents.

5. Conclusion

To sum up, for China's family enterprises, continuous progress towards sustainable development is the most basic premise for them to realize their own value and improve their income, which requires not only the various conveniences provided by national macroeconomic policies, laws and political environments, but also the continuous and active exploration, so as to plan a suitable sustainable development path and put it into practice.

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