

Management Characteristics and Sustainable Development of Chinese Family Businesses

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Abstract: the cultural characteristics of Chinese determine the management characteristics of Chinese family enterprises. Chinese family enterprises are faced with three problems of development, governance and inheritance, but this does not mean that Chinese family enterprises are bad. Many successful Chinese family enterprises have a lot of Chinese culture factors in the management, and their management inherit and use the features of Chinese family enterprise management in good part, for the defects of the traditional Chinese family enterprise management mode, their management is improved and perfected, so as to make the enterprise can develop smoothly and passed down. These excellent experiences are very beneficial for other Chinese family enterprises to actively absorb experience, seize opportunities, and promote their rapid development and inheritance.

1. Introduction

Influenced by Chinese traditional culture, Chinese family enterprises still occupy a large part in the development of Chinese enterprises. Since the reform and opening up in 1978, many private enterprises have developed rapidly, among which family enterprises account for the vast majority. Chinese family enterprises, with their natural advantages of Wuyuan connections, seize opportunities with strong collective cohesion, and follow the trend of the times to make family enterprises flourish. However, since the development of Chinese family businesses, some practical problems have inevitably emerged, such as the problems of development, governance and inheritance. Governance problems are easily reflected in the family business, cronyism, management chaos, etc. The inheritance problem is embodied in the "three generations of wealth" mantra, namely, the intergenerational inheritance of those in power.

Do these problems mean that family businesses are no longer fit to exist? Actually otherwise, even if the Chinese family business have these problems, but it is undeniable that there are some outstanding family business grow better now, such as New Hope Group of Liu family, the group is more or less in the process of development also encountered similar problems, but it did not stop, but continue to grow and live on. So the problems faced by Chinese family businesses is not without a solution.

Overseas research on Chinese family businesses began in the 1990s. In July 1997, the Wharton Business School of Pennsylvania University formally established the "global Chinese enterprise research center", which started a boom of research on Chinese family businesses. Foreign studies have shown the strong vitality of Chinese economy. For example, in Indonesia, Chinese people account for only 2.1% of the total population, but they own at least 70-75% of private capital. ^① The strong vitality of overseas Chinese economy indicates the great development potential of Chinese family enterprises. This paper analyzes the combination of Chinese culture and enterprise management, explores its excellent management experience, finds the value of the existence of Chinese family enterprises, and draws lessons from the management experience of excellent enterprises, so as to provide useful experience for the Chinese family enterprises to seize the opportunity, grow and inherit.

2. Management characteristics of Chinese family businesses

Family business refers to the business form in which the family controls the ownership and control rights or management rights of the business. Family members are bound by kinship and work together to realize the overall interests of the family business, and the family power of the business can be inherited. A Chinese family business is one in which the families are Chinese. The Chinese people here are the general name of Chinese children, and it is a concept of cultural ethnic group. It refers to people whose ancestors come from China, including modern Chinese and foreign citizens who acquire the nationality of their host country. It is a pan-ethnic concept based on history, culture and blood relationship.

The most distinctive characteristics of Chinese culture are the people-oriented spirit, the inclusiveness of cultural compatibility and economic integration, and the strong ethical and moral values that emphasize loyalty and filial piety. These cultural characteristics make the Chinese family enterprises present a unique management color in their business management.

2.1 Paternalism

In the initial stage of many family businesses, they are mainly started by a family, such as a couple, a group of brothers and sisters or a family. The most common form of business management in the initial stage of family businesses is paternalism.

As the name suggests, paternalism means that the founder of an enterprise is in charge of the enterprise, and the enterprise managers have absolute control over the enterprise. Paternalism is born out, on the one hand, probably because at startup, labor pains let everybody unconscious ignore the enterprise property rights clear problem, family enterprise is how to make everyone think enterprise development better, everyone is equal, don't care about who's in charge of the enterprise, at the same time, Chinese family enterprise is special because of the influence of traditional culture, Chinese people in the past thousands of years are in the feudal dynasty, under the rule of the patriarchal, thus they will directly regard their patriarchal family as the boss of the entire enterprise because of obedience, loyalty. Naturally, the enterprise followed the patriarchal management mode.

On the other hand, in the beginning of family firms, because the founder of the enterprise had clear allocation, the founder's ability stands out at the same time, the founder had a strong personality, he gained the consensus to personnel in family enterprises. Naturally the enterprise's founder had absolute control to family businesses, which made enterprise management pattern into a patriarchal family.

Regarding the patriarchal system, we cannot simply say whether it is good or bad for the Chinese family business. We should treat it realistically. In the initial stage of family business, if it can be used reasonably, the paternalistic management mode can greatly integrate resources and promote the development of the enterprise. On the contrary, it will hinder the development of enterprises, or even be directly killed in the early stage. Because in the early stage of entrepreneurship, paternalism means that there will be a leader. If the leader has charisma and can reasonably mobilize all resources, then the enterprise will easily form a powerful one. Everyone will think in the same place and work in the same place, thus greatly promoting the development of the enterprise. On the contrary, as the owner of a company, his/her weak appeal may lead to disunity, insufficient utilization of human resources, and low overall cohesion. Under such circumstances, he/she is likely to collapse and fall apart in the face of a series of challenges in the initial stage of entrepreneurship.

2.2 five connections

One of the management principles that Chinese family enterprises give priority to is the five predestined relationships, namely, Kinship, Geography, Wen yuan, Business relationship and Godhead. Kinship refers to the kinship relationship of a clan; Geopolitics refers to the relationship between neighbors and villagers; Wen yuan refers to the cultural relations, through which the common cultural origins can be combined, as well as the needs and desires of exchange and exchange of people; Business relationship refers to the relationship arising from the trade of goods.

Godhead refers to a group of people who share a common belief in god or religion.

With widespread of five flange connection, the interpersonal network become more close, and because of that, one relatively closed family business also become more close with the outside world information, technology, capital, commodities, such as communication, which ensures its development and progress and provides more resources and opportunities.

There is no doubt that Wuyuan is a powerful connection, which also happens to be the opportunity for the development of family businesses. In 2017 the ninth "Chinese enterprise technology innovation cooperation exchange" regarded "energy conversion, win-win cooperation" as the theme, to give full play to the broad masses of overseas Chinese and their own advantages, promote the business of overseas Chinese businessmen and the mainland and mutually beneficial cooperation, this kind of communication can actually as for geopolitical relationship between enterprise and enterprise, seek win-win cooperation platform. Just because the Chinese family business also attaches great importance to the Wuyuan connection and takes Wuyuan as the bond, it greatly promotes the full cooperation between enterprises and enables the Chinese family business to obtain more support from various aspects such as capital, technology and channels in the development process, which is conducive to the rapid development of the enterprise.

3. Development status of Chinese family businesses

Chinese family enterprises remarkable achievements admittedly, but not every Chinese family businesses can have the smooth development of growing up. As a family business, on the whole, they will face the problem of development, governance and inheritance. If these problems can not be resolved, enterprise may declare bankruptcy at startup, and also may face some inheritance issues due to the improper governance and management chaos, which make enterprise development blocked, and even make enterprise bankruptcy collapse.

3.1 Development

The development problem is simply that the enterprise can successfully go through the initial construction period without failure, and then can successfully go through the whole life cycle of the enterprise without sudden death at a certain stage.

There are thousands of entrepreneurs, and there are many enterprises that declare bankruptcy every day. Family businesses are also one of the tens of millions of start-ups at the very beginning, and the number of successful start-ups is also very small. In 2017, a number of lists of failed startups were published, including many enterprises that share bicycles, Shared charging enterprises, E-commerce enterprises, as well as catering enterprises and AI start-ups. These are just a few of the reports, starting a business is hard. As a family enterprise, the same story is true in the early stage of starting a business, so how to make the success of starting a business, the development of the early stage of the enterprise is particularly important.

In fact, the development of an enterprise based on the environment including hard power and soft power. Firstly, the soft environment refers to the political, economic, social, cultural and technological environment, which determines the platform for the development of an enterprise. However, the overall economic and social environment indicates whether the enterprise has reached the right place at the right time. If the overall economic downturn occurs, the inconsistency between the enterprise culture and the overall social cultural atmosphere will greatly hinder the development of the enterprise. The technical environment is the guarantee for the development of enterprises. The technical level of the entire industrial market environment is too low, which will increase the start-up cost of enterprises. Secondly, in terms of hard power, human resources are the greatest treasure in a family enterprise. The effective use of human resources can greatly enhance the comprehensive strength of the enterprise; people's mind will determine the success or failure. Property is essential, after all, one can't make bricks without straw. Finally, soft power is management, technology and marketing. Family business need not worry too much about technology and marketing. Technology can be gradually improved. In the initial stage of entrepreneurship, management has little limitation on development, but when the enterprise gets on

the right track, some management disadvantages of traditional family enterprises will limit the development of the enterprise, such as cronyism and lack of talents.

3.2 Governance issues

In addition to the development problem, in the entire life cycle of the enterprise, the governance problem of the enterprise is always throughout the history of enterprise, but in the family business it is very easy to appear for cronyism, management chaos and other situations.

Taizina Group was founded by Li Chuntu, and the enterprise management is typical of the patriarchal system, which is conducive to the development of the enterprise in the early stage, but after the development of the enterprise, the disadvantages of the management mode gradually appear. The important decisions of the group are basically made by Li Chuntu alone, and all the important positions in the company are family relatives. This obviously preserves the bad part of the management mode of Chinese family businesses, leading to the confusion of basic management such as enterprise decision-making and human resources. Without reasonable and clear institutional guarantee, corporate governance is chaotic, and people's mind turns to the back, which eventually leads to the loss of excellent talents and the demise of enterprises.

3.3 Inheritance

Inheritance is a process of continuation, is a process of inheritance and development. In the same way, it means that a certain link in the whole life cycle of an enterprise cannot gradually weaken and die out.

It is often said that state wealth only lasts for three generations, but the biggest problem of the succession of Chinese family businesses is the intergenerational succession of those in power. The problem of intergenerational inheritance means that the identification and training of successors need to be improved, but the most important thing is the innovation and improvement of enterprise rules and regulations.

Like Taizina Group, if there is no standard enterprise rules and the enterprise management is chaotic, then the disadvantages of traditional Chinese family business management will continue, and the enterprise will die no matter which generation it passes to.

With the guarantee of the system, the overall operation of the enterprise is standardized, and the enterprise is no longer worried about bankruptcy due to the management mode. At this time, the determination and training of enterprise successors become equally important. Due to the cultural influence of Chinese people, most of the Chinese family businesses follow the path of inheriting the father's business to the son, which means that there is a process of determining the "son". In Chinese family businesses, it is probably a primogeniture, which is a process of directly inheriting the ownership and management right. Another kind of inheritance is the inheritance of pure ownership, in which enterprises are managed by professional managers.

4. Sustainable development of Chinese family enterprises -- successful experience for reference

As a family enterprise, New Hope Group has not only developed and grown, but also inherited to this day. There is excellent experience in this process, which is of great reference significance for the development and inheritance of enterprises when planning to start a business, on the way to start a business or with some achievements.

4.1 Clear property right at the initial stage of entrepreneurship

The clarity of property rights in the initial stage of business is the cornerstone of the subsequent development of family enterprises. As a founder of a family enterprise, it is necessary to distinguish the ownership and management rights of the enterprise. In the initial stage of business, the distribution of property rights should be clarified directly. Only in this way can the enterprise have a backbone in the early stage of entrepreneurship, can it enhance people's sense of identity and responsibility for the enterprise, thus greatly enhancing the overall cohesion of the enterprise, and

can it better face the difficulties and setbacks in the early stage of entrepreneurship. Even if the enterprise initially did not do property right clear, after the enterprise developed on track, it should also be swiftly undertake property right allocation.

4.2 Effective utilization of resources

If Chinese family enterprises want to develop well and inherit well as New Hope Group, they need to make effective use of resources. The first is the effective use of the external environment. To start a business, one should adjust measures to local conditions and fully consider the economic situation, social and cultural environment and natural conditions of the region he/she is in.

At the same time, it is necessary to follow the trend of the times. In today's mass entrepreneurship and innovation, and at the same time, it is in an important stage of winning the battle to build a moderately prosperous society. After the establishment of a family business, it can provide certain employment, and there is policy support for starting a business. Secondly, we should make full use of the informal organizations formed due to the five connections. In the Chinese family businesses, everyone attaches great importance to the kinship connections, and the informal organizations formed due to kinship can greatly enhance the collective cohesion. It is necessary to make full use of the Internet. In this era of Internet, many information resources can be obtained from the Internet. Making good use of the Internet can save more capital and effectively reduce start-up costs. At the same time, it can also provide great convenience for the management and marketing of enterprises.

4.3 Standardization of enterprise rules and regulations

What the traditional Chinese family business lacks most is a standard business rules and regulations. This regulation needs to separate the ownership from the management right of the enterprise, so that the operation of the enterprise cannot be directly controlled by the ownership. After the development of the enterprise to a certain extent, it should consciously reform and improve the management system, and break away from the traditional patriarchal management mode as soon as possible. Therefore, in the enterprise rules and regulations, we can set up the shareholders' meeting, the board of directors and the board of supervisors like New Hope Co.Ltd, in order to make the enterprise decision-making more scientific. Chinese family enterprises also need to have a set of reasonable system of choose and employ persons, forming a perfect talent promotion mechanism, to break the traditional Chinese family businesses of cronyism. In this way, we can make enterprise to attract talents and continue to develop smoothly.

5.Summary

Under the influence of traditional Chinese culture, Chinese family enterprises attach importance to Wuyuan connection. Inclusiveness leads to the integration of enterprise social circle, so as to obtain more human resources and promote the development of enterprises. At the same time, because the patriarchal collective has a great cohesion and centripetal force in the initial stage, so Chinese family enterprises cannot fear setbacks, unremitting struggle.

There exist some shortages in traditional family enterprise management mode, such as excessive centralization under patriarchal, which lead to individual decision-making risk, as well as the family business cronyism, disorder of the human resource management after enterprise develop up. This will makes Chinese family enterprises face some development, governance and inheritance issues in the process of the development.

Of course, some family businesses, such as the new hope group, are able to deal with these problems well, so that they can grow and pass on to the present day. Compared with the traditional family business, it has the following advantages in management: it makes effective use of the informal organization due to kinship; In terms of development, it can adapt to the current situation and make full use of the national policies favorable to enterprises. In the enterprise equity allocation can quickly and decisively achieve clear property rights, do not drag the mud, effective coordination, promote the further development of the enterprise; At the level of corporate governance, there are

standardized enterprise rules and regulations and scientific employment system, which enables the enterprise to operate in a normal and orderly way. At the same time, the traditional employment concept of cronyism is abandoned to achieve meritocracy, making the enterprise stronger from the inside, so as to better develop and inherit.

At present, the society is in a new era of mass innovation and entrepreneurship, which is a great opportunity for the development of Chinese family businesses. If Chinese family enterprises want to get a place in market and down to the inheritance and development, they can get some good experience being worth reference from the case of New Hope Group. Namely the enterprise should do a good job in the property right clear at the start-up stage. It is important to achieve the efficient use of resources in the development process. The standardization of enterprise rules is necessary for Chinese family enterprises in order to get better development and inheritance.

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