Problems and Countermeasures in the Family Enterprises Restructuring Process

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Abstract With the deepening of reform and opening up, the family-type private enterprises have become an important form of business in China's economic development. This article put forward measure of the family-type private enterprises sustainable development through exploring the problem of family-Enterprise in the sustainable development process ("concentration of power" and "cronyism" and "Group strife" and "limited financing").

Key words Family; Private enterprise; Sustainable Development

As a product of the process of modernization, private enterprises is a new form. Since reform and opening up, they reflect the enormous vitality gradually, most of them have a substantial family color. As the market and their development, this part private enterprises revealed many problems gradually, and many of them are connected with their family relations. Therefore, the sustainable development of private enterprises, especially family-run enterprises to sustainable development is worthy of in-depth study.

1 Problem of Family Enterprise in the Process of Sustainable Development

Along the deepening of reform and opening up, with the vigorous development of private enterprise, the family enterprise has become an important economic power gradually. Moreover, in China the majority of family-owned enterprises development process have striking similarities: the rapid rise and decline rapidly, staged "creation, the rise and decline" trilogy continuously. Due to the unique advantage, Chinese family business is full of vigor and vitality in its start-up phase, the highly competitive and innovative spirit. However, in the completion of the primitive accumulation of these family enterprises, the development has entered a stage of fast expansion, with the conditions and the ability to make great strides forward, it has shown itself to a series of irrational behavior, facing one crisis after another, impacting the sustainable development of family enterprise seriously.

1.1 Family Enterprise Financing Capacity Insufficient

The source of capital of Family-Enterprise are entrepreneurs and their family members, but as business size continues to expand, it is difficult to meet the financing needs of the scale enterprises with the family alone, and lacking of state enterprises policy support, which makes interest financing constraint restrict the development of enterprises, thus it further limited the ability of the corporate debt financing.

1.2 Importunate Management System Matter

Its specific performance is the rule of man in the management of the family. Chinese family business is building up with family and blood ties to be established on the basis of the center. The so-called "corporate entrepreneurs, business is business," and "I am the state" are deep-seated. Family businesses started up in the supreme decision-making enterprises have the right to have endless appeal and cohesion. This dictatorial decision-making even if can be respond to circumstances, it is hard to avoid the non-scientific nature of the decision-making huge losses. Decision-making power was concentrated in a few hands, lack of a sound system and procedural constraints. When an enterprise is still in its infancy and toddlers, the imperfect decision-making system can be said to be concentrated in a specific period of a particular choice, or even be a source of business advantage. But with the growth of enterprises and the expansion of the scale of operations, managers' knowledge and skills is out of touch with reality, the decision on the casualness and blindness begin to show shortcomings. Then even enterprises begin to pay attention to the rights and improving the system, the family members have often defaulted reality so the provision is difficult to enforce and have a negative impact on other employees.

1.3 Lack of Human Resources

Family enterprises are facing difficulties of human resources. If the enterprises want to be large in
size, the need to develop a breakthrough in the key bottleneck is the specialization and standardization of management, the family-run enterprises are no exception. Absorbing a large amount of professionals to enter the company's core business is the only way to specialization and standardization. Choosing talent in family members purely, the selection will become narrower and less and less available to the people. And long-term management of the patriarchal system, the leaders will be too conceited, he considered himself to be the most outstanding, which resulted in a family enterprise organizational structure of the right to the top is closed. Family members of the supreme right monopoly impede the non-family members. Therefore, the family-run enterprises are facing a "know their own business because of a lack of talent Glass Ceiling, it is difficult to obtain and retain talent to create an environment" such an embarrassing situation. As personnel crisis, it made many booming family business decline, the typical examples in foreign countries such as Wang An computer (Chinese enterprises), Three Truck enterprises interiorly.

1.4 Family Faction Issues

Many private entrepreneurs’ driving force for the development and prosperity comes from the sense of responsibility of the family, so division of family property and inheritance successfully is a prerequisite for the further development of enterprises. Although in the short run the psychological contract between members of the family can go beyond economic interests, in the long term, they all request material benefit. Because the family members have made tremendous sacrifices and contributions at an early stage, they may require strong returns. But the blood tie makes wealth not be completely separated to the efficiency of the foundation. Ultimately the distribution of wealth is very likely to lead to family disagreement or internal factional struggle. This is a mortal blow to family business ethics based on the family's survival.

1.5 Risk of Disintegration and Succession

When the family business has developed to a certain stage, that is, the older generation will start operating from the post, searching for a successor has become a big problem. Family enterprises in China, because the Chinese people differentiated psychological factors traditionally, entrepreneurs are reluctant to lay down their arduous "domain" to the "stranger" to the operation, they will consider allowing their children to take over. This is what gives the oriental culture another characteristic of the family enterprise. Despite many owners make every effort to give their children the best education and nurture business experience in praxis, there is no guarantee that their children have business interests and abilities. In fact, demanding "going" the successor having entrepreneurial talent is completely impossible. Even "going" start with the patient and do not necessarily inherit the business. After all, the process is not merely going to hold over, the process is the second venture. Here there's a hard nut to crack: if a number of conditions children successor in election, then it could lead to split in power collaboration with the intrigue against each other. Scholars who studying the history of the family business have found that in the past history of the Fortune global migration, the worst possible outcome would not have to avoid, that all wealth to the next generation in the family business, at least 80% of the family business in the hands of the end of the second generation, only 13% of family business success was the third generation to inherit. This shows that succession issues arising from the disintegration of the family business risk is another unavoidable reality crisis.

2 Measures to Family Enterprise Sustainable Development

2.1 Reform of Property Rights System, Introduce Multiple Investment Entities

Family-property rights can be said to be the ultimate goal of the reform, and it is the core of its range of issues and the most difficult issues to resolve. Because of unclear property right, it may lead to family members the decision-making confusion, which caused future family feud. The single investors in the financing are not only affects the ability of private entrepreneurs financing, but also implement an effective constraint difficulty. Therefore, the property rights system should be reformed following two level:

First: introducing joint-stock enterprises, the property boundaries draw clearly between family
members. In straightening out property rights relations between family members, in accordance with the following principle: (1) efficiency principle. That is, looking ahead to the future operation of the business, who will be indispensable for the family members, give him the share. (2) Contribution principle. That is, looking back, if a family member has made a great contribution to the past, it should pay a share of his accomplishments and to affirm and confirm. (3) Fairness principle. Remember to observe our society "not scarcity of resources, inequality" in the traditional distribution of equity gap should not be too wide.

Secondly, it should introduce multiple investment entities at the same time. One way is to come into the market the enterprises, introducing public investors. Zhu Baoguo’ wife medicine enterprise and Liu's Hope Group have taken this way, seize the opportunity, and make some of the assets public. Another method is the implementation of the joint venture, capital operation. The operation targeted is not only domestic enterprises but also foreign-funded enterprises.

2.2 Improve the Management System, Practice Authorizing and Controlling at the Same Time

The negative role of family business is largely with no right management system, and the rule of man over the rule of law, decision-making power is concentrated in the hands of a few. When enterprises reach a certain size, because the management complex, enterprise development must rely on the various functional departments of the mutual coordination and cooperation mechanism established authorized and rational distribution of the organizational structure to manage, and improve enterprise management are the fundamental guarantee of efficiency, but also to prevent enterprise trapped in the "family trap" effective measures. In fact the private entrepreneurs have known the necessary of authorization, they are only lack the necessary trust to authorized agent. therefore, when it is authorized, it is necessary to strengthen the control system, to introduce reasonably sound supervisory mechanism. Enterprises should strengthen financial and auditing functions to ensure the smooth flow of information, to avoid moral hazard happening.

2.3 Members of the Family Quit the Core Management, Introduce Professional Managers

The survey showed that a considerable number of major bottlenecks in the growth of private family business are not financial capital, but management resources, which are important human capital. With the advent of a knowledge-based economy, knowledge is the factor in the enterprise increasingly. Knowledge and knowledge management are at a dynamic environment and it need continuous innovation and development. Family members occupy a central management position with blood and family, it would deal a severe blow to the morale of the non-family members. Due to the limited knowledge and the habit of thinking, it is difficult for the family members are competent for the long-term jobs. Therefore, on the basis of the mandate, management of the core members of the family should fade away and absorb non-family members gradually.

Withdraw from the match with family members, it is to introduce professional managers, and to recruit more capable. Using professional managerial knowledge serve the new enterprises. Zhejiang Province Jinyi Group’s reform after thinking and the Group's successful experience is the best proof. Therefore, the family holding and career management are the necessary measure to achieve sustainable development of family business. But, in China, it has not formed a real sense of the market manager yet. The ethics of professional manager are still developing, so there are risks to introduce of professional managers. This requires careful choice, pay attention to the overall quality management, while strengthening control and supervision mechanisms.

2.4 Improve Incentive Mechanisms to Attract and Retain Talent

Any enterprises are bound to continue to absorb and integrate new management in the process of growing up. In the process of family enterprise absorbing new resource, its characteristic is that cultural rules in the family play a complicated role. Although some family business have financing capability and advanced technology equipment are all advanced, they still plunge into the development predicament, because they are not able to absorb and integrate new management. Therefore, the question of how to attract and retain talent is a major problem of the family-type private enterprises facing.

If family enterprise want to attract and retain qualified personnel, it is necessary to change the relationship between family management personnel and change the past guiding ideology, such as "heavy loyalty light capabilities". For talent recruitment, selection, promotion, it should change
emphasizing "the first loyalty" to emphasize "capabilities first", from "use people who is familiar " to "use people who is talented" . Specific measures are as follows: First, we must establish a fair remuneration system to ensure that the personnel should also be paid a fair rate of return. Second, through reforming the property rights system, we make high-quality talent to share the long-term benefits. Third, the members of the family out, it clear the obstacle for the high-quality personnel go to senior power. Finally, creating the organizational structure and rational distribution of power enterprises and scientific decision-making procedures, it makes high-quality talent really exercise the powers entrusted to them. Integrating pay, shares, jobs and power organically, family-private entrepreneurs can obtain advantages in disputing human resources. After Hope Group came into the market, Liu Yonghao carried out a bold reform to create a complete sense of the modern enterprise. In the appointment system, he insisted using no relatives, recruited talents facing the whole society and openly, created a corporate culture atmosphere and attention to the training of qualified personnel.

2.5 Improve the Quality of Entrepreneurs, Create a Positive Corporate Culture

Enterprise culture is the standard-bearer culture. The quality conscious entrepreneurs extent is pivotal role to the success or failure of the corporate culture. In some sense, the corporate culture is a culture of entrepreneurship, the operator culture and the culture of business leaders. Due to the characteristics of a family enterprise, the enterprise culture and values shape is set by the entrepreneur himself and the family of entrepreneurs. In the absence of standardized systems circumstances, family values determine the style and the value orientation. In practice, because of inherent deficiencies and lacking of self-improvement and the day after, most family business entrepreneurs are lack of the qualities. A large number of private entrepreneurs is still in "contest profits with employees, contest the rights with subordinate" position. With their lead, it is very difficult for an enterprise to form the correct values and good corporate culture. On the other hand, many entrepreneurs operating motive exist non-rational deviations, a lot of entrepreneurs with strong values of family color and political overtones, they are content with ease and officials. It becomes a widespread phenomenon. This has hindered the corporate culture. Based on the family business entrepreneurs and cultural features such absolute, also based on the corporate culture of building the special functions, private entrepreneurs must pay attention to shape the entrepreneurial spirit, improve their quality, with the correct values, lofty charisma entrepreneurs to guide enterprises and establish a positive corporate culture.

In short, these measure on the premise that private entrepreneurs themselves have already recognized this problem and are willing to work together to find a solution. These measure are in conjunction with each other, need to complete, step-by-step, embody the principles suboptimal. No doubt, their own family proposed a second round of venture by the further development to overcome self-doubt, it requires considerable courage and vision. It must be a very painful process. But only with this way , it can avoid a family-based private enterprises and has hope to avoid the sequel "pioneers, the second built, the three generations of decline,". The family-run enterprises become mature eventually and achieve sustainable development.

References