Study on Optimization Strategy of Family Enterprise Management in China

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Abstract. In the domestic private enterprises, the family enterprises make up the majority, which plays an important role in China's national economy. However, as the scale of the enterprise expands and the market competition intensifies, the family enterprises gradually lose their advantages and the defects of their governance structure become more and more prominent. If not solved, cannot escape the "rich but three generations" circle. This article first expounds the theoretical basis of family enterprise governance structure, then analyzes the main characteristic and problems of family businesses governance structure. Finally, some countermeasures and suggestions are put forward.

Introduction

In our country, the research of corporate governance focused on public companies and state-owned enterprises in the past, and the research on the corporate governance structure of family-owned enterprises has yet to be further advanced. This article makes a comprehensive comparison of various definitions and suggested that family businesses governance structure are the families of the formed in family controlled enterprises, business owners, corporate checks and balances between the senior management personnel and system of checks and balances mechanism of a kind of contractual relationship and structure between all stakeholders of responsibility, right, the rational allocation and scientific self-discipline mechanism.

The Main Characteristics of the Corporate Governance Structure in our Country

The family business of our country is bound by blood ties, so it has special corporate governance structure, its particularity is mainly manifested in the following points

Company Ownership and Management are Closely Linked

In the family business of our country, the owner has a firm grasp of ownership and management, making the chain of property rights relatively simple. The founder or founding family of the family enterprise is both the owner of the enterprise and the manager of the enterprise, with fewer principal-agent relationships.

The Company's Decision-Making Power and Management Power are Highly Concentrated

In the family business, the founder has a high status in the whole family. Therefore, it is inevitable to have a deep influence and control over the established enterprises, which are at the core of the enterprise, forming paternalistic or authoritarian management, and the decision-making power of monopoly companies.

Principal-Agent Relationships Tend to be Personal

In the current family business in our country, the form is the business owner and professional manager relationship, but in some enterprises, the two are close. It is not only the relationship of principal-agent in the traditional sense, but also the economic interests pursued by both parties, and the personal emotional factors and such as mutual respect, recognition, etc.
The Shareholder is the Dominant Unilateral Governance Structure

The vast majority of Chinese family business owners are chairman and general manager. Even the establishment of shareholders' meetings, unions, boards and other institutions is nothing more than a virtual one. In the initial stage, this feature is conducive to the rapid response of enterprises to the market, thus realizing the development of enterprises. However, with the expansion of business scope, the market competition becomes more and more intense, which is no longer suitable for the development of enterprises.

The Main Problems Existing in the Governance Structure of Family Enterprise in our Country

The founder of family business will be confronted with the crisis of large size, long chain of command, and entrusted agency after the company has developed to a certain stage. This part mainly analyzes the problems of family corporate governance from the following parts.

Unreasonable Share Equity Structure

From the form of family business ownership, it is a common phenomenon in our family business that entrepreneurs have full ownership and entrepreneurs' wives, brothers and sons. This fully shows that the ownership of family businesses is highly concentrated in family members. Even in family-owned companies, equity remains largely in the hands of entrepreneurs and the proportion of shares held by decentralized investment institutions such as fund and pension insurance is low in its shareholding structure.

Unstandardized Decision-Making Mechanism

Although more and more family businesses have established modern corporate systems, and many family businesses have also set up boards and shareholders' meetings. But family firms tend to have a lot of family members. The proportion of independent directors in the board of directors is too low, and the independent directors of the board have not played their due role. The regular shareholders' meetings are only in the form of an effective oversight of the board of directors to ensure the scientific justification of the decisions.

Inadequate Incentive Mechanism

In terms of the constraint mechanism, family enterprises in China generally rely on contractual constraints and positions. Although the contract is more effective, the terms of the contract cannot keep up with the development of the staff and the post authority can effectively prevent employee abuse, it also inhibits employees' initiative. Most family businesses do not have an effective incentive mechanism, which are too monotonous. For the backbone of the enterprise, the salary incentive is the main salary, the equity incentive is little or not even used.

Shareholders and Managers Mistrust Each Other

The crisis of confidence usually manifests itself in the following types. Firstly, shareholders and managers trust each other low. Not only do shareholders distrust managers, but managers themselves do not keep an appointment. Secondly, managers' "untrustworthiness" and shareholders' "trust" form may be better in the short term than the first. But in the long run, the unpunctual of one party will destroy shareholders' trust in managers. Finally, managers' "trustworthiness" and the "distrust" of shareholders. This form is similar to the second one, and the control will be transformed into the first form.

The Training Mode of Successors is not System

From the current situation of family enterprises in our country, the knowledge level, management ability and psychological quality of the successors have serious problems and there is a significant gap between the outside selection of professional managers. The main reason is that the original business owners ignored the cultivation of successors and the lack of systematic training programs and to be a good entrepreneur requires a lot of hard work.
Corporate Culture Does not Follow
First, a large proportion of family businesses in China have not raised corporate culture to a strategic height. The development of the enterprise culture has been very low, and the business operators lack the awareness of the importance of employees. There is no combination of individual career and business development. This kind of enterprise culture cannot exert its agglomeration, orientation, incentive function to let employees better support company mission execution.

The Strategy Orientation of the Management Structure of Family Enterprise in our Country
In the process of improving the corporate governance structure of the family enterprise, and the corresponding countermeasures should be put forward to improve the efficiency to promote the sustainable development of family enterprises.

Optimize Stock Right Structure
If the family owns too much of a family-owned company, the structure of corporate governance is extremely difficult to establish, and this calls for the breaking of the property seal of the family business. This problem can establish the incentive and restraint mechanism of stock ownership through the stock ownership and employee stock ownership plan. It can also be done by selling stakes to society and be public. The risk of business operation is to build a diversified shareholding structure.

Develop a Scientific Decision-Making System
In the governance structure of the family business, to effectively balance the interests of family, enterprise and ownership, the enterprise consultative committee can be designed and established. The agency is a three-member committee composed of representatives of families, businesses and shareholders, which is a formal governing body in corporate governance structure, but it does not have the decision-making power and specific administrative functions. Corporate representatives are represented by non-family members in senior management and Shareholder representatives refer to shareholders who are not working in the enterprise. The method of production can be elected by the general meeting of shareholders. Family representatives are elected by family members, but are generally held by business owners.

Sound Incentive and Constraint Mechanism
The purpose of effective motivation is to ensure that professional managers, which are aligned with the owners' goals in operation and management. The specific implementation method should not only start from the payment mechanism, but also creatively use the social reputation mechanism, control mechanism and other forms of incentives. In addition to effective incentives, the necessary constraints are also necessary. Enterprises not only use the contract terms that are signed with employees to impose constraints on employees, but also establish and improve the performance appraisal and lifting, rewards and punishment system of the internal science of enterprises. Design career development plans for management to generate potential soft constraints and "self-discipline".

Improve the Market of Professional Managers
In our country, there is no standardized professional manager market. The most pressing task at present is to accelerate the marketization process of professional managers through the market of perfect professional managers. The behavior of professional managers is restrained from external industry rules, system supervision and public opinion supervision, and form an objective evaluation of professional managers from the outside. There are specific practices: establish an effective manager system, establish professional manager talent assessment system, post qualification certificate system and establish an authoritative market law enforcement and supervisory organization.

Establish a Scientific Succession Selection Mechanism
The question of succession is not just a decision, but an organic process. The first step in implementing a succession plan is to identify a successor and avoid the inherited conflicts that
preceded the eldest son (female) and the child which have a strong ability. If the subjective decision of the entrepreneur alone is likely to lead to the unreasonable transfer of power. So companies should choose their successors openly and fairly. Even a third party will participate in the judgment, and the children who have the will to inherit will be listed as candidates and conduct inspection in management practice. Realizing the "fittest" can greatly reduce the unscientific nature of the inheritance system.

**Transform the Culture of the Family Business**

Family businesses emphasize family patriarchal laws, often with the best interests of themselves and their families. When confronted with an enterprise crisis, it is often the interests of the family rather than the survival of the enterprise. The corporate culture emphasizes that the family employees are subordinate to the interests of the enterprise in the organization management and the distribution of interests. Therefore, family enterprises should set up a business relationship and the concept of business and break the family and non-family members to have other value judgment criteria, with set reasonable incentives. Finally, the transformation from "family culture" to "enterprise culture" is realized.

**Conclusion**

What kind of corporate governance model is reasonable for family businesses? It's just a developmental stage and the development of anything must be adapted to its surroundings. Therefore, in the selection of corporate governance of family enterprises, enterprises should be in their positions. We can neither cling to the opportunity of the family enterprise to lose the development, nor can we try to upgrade and surpass the stage of enterprise development. Different enterprises should combine their own basic situation and choose to improve the corporate governance of the enterprise based on the scale of the enterprise, the characteristics of the industry, the nature of the industry and the external environment.

**Reference**


