

Studies on Symbiotic Relationships Between Family Firm and Manager

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Abstract Based on intergrowth theory, this paper attempts to analyze the symbiotic relationships between family firm and manager via symbiotic model analysis method. Firstly, the paper presents three main influencing factors of symbiotic relationship between family firm and professional manager. Then the paper explores the correlations among those three factors. Secondly, the paper sets up a mutualism model between family firm and professional manager. Finally it proposes several countermeasures to improve the symbiotic relationship through the optimization of internal environment of symbiosis unit and the optimization of the interface.

Key words Symbiosis; Family firm; Manager; Mutualism

1 Introduction

1.1 Literature review of relationships between family firm and professional manager

Family firms are dominating most national economies^[1]. When an enterprise starts, “kith-and-kin involvement” in family firms is a potential source of strength. However, a family firm has to draw in managers from outside the family as it grows. This will require management of the relationships between family and non-family members of the firm. The sharing of power, which the acceptance of non-family managers requires, is one of the hardest issues for family firms to come to terms with^[2]. However, in China, 90% cases of having outside directors in family firms ended up with failures and their serving periods were no more than 18 months, which arouses much concern in academic circles.

Existing studies that deal with manager turnover have mainly concentrated in the following 3 aspects. (1) Exploration of both external and internal environments. Firstly, professional manager systems in China are not complete^[3]. Secondly, concrete laws and regulations are not yet established. Thirdly, family firm owners tend to appoint managers by favoritism^[3]. (2) Analyses of conflicts of separation of management and ownership based on Agency Theory. Agency Theory provides strategies to solve these conflicts via incentive systems, performance evaluation and management control^[4]. For instance, using game theory to explore the collaboration between the manager and the owner^[5]. However, Agency Theory might not have exhaustive explanatory power for the salience of management control systems in family firms. (3) Discusses of dilemma in the collaboration between family firm and outside manager. Su Qi^[6] maintains that on one hand, moral standards of professional managers in China are relatively low; on the other hand, the manager market leaves much to be desired. Moreover, information monopoly and highly-centralized management institution^[7], particular leadership style^[8], uncompleted and unguaranteed contracts^[9] all contribute to the dilemma.

1.2 Literature review of symbiosis

The term symbiosis commonly describes close and often long-term interactions between different biological species. The term was first used in 1879 by the German mycologist Heinrich Anton de Bary, who defined it as “the living together of unlike organisms.”^[10] Since middle of the 20th century, intergrowth theory has been applied in social science fields such as in medical science, in agricultural science and in economic science. It was western scholars that firstly introduced the intergrowth theory into social science. They have largely approved of designing a social community based on intergrowth theory, emphasizing the interrelations between various factors in the social production system. For example, the research of industrial symbiosis concentrates on the integration of geographically proximate industries in networks of material and energy exchange^[11]. In China, Yuan Chunqing firstly applied intergrowth theory in small economy, establishing a conceptual system and basic analytic methods of social science based on intergrowth theory^[12].

1.3 Scope of the paper

Based on the status of quo of external and internal researches, this paper firstly attempts to explore main influencing factors of symbiotic relationship between family firm and manager; and then it constructs a mutualism model between them and puts forward countermeasures to improve the relationship, which gives an innovative insight into the intrinsic quality of the relationship between family firm and professional manager.

2 Influencing Factors on Symbiotic Relationship between Family Firm and Professional Manager

According to intergrowth theory, symbiosis unit, symbiosis model and symbiosis environment are main influencing factors in the symbiosis system while symbiosis interface is the interacting medium. Mutual development is the essence of intergrowth theory. When applied in economics, symbiosis means that ever-lasting material connections exist between economic subjects. The family firm and the manager are equal market subjects with interdependent relations between each other. Family firms need to succeed commercially as well as to maintain the family connection. To do so, the introduction of professional managers, especially those outside the family, into the organization is an indispensable step in the development of family business; otherwise, family firms will go forward downfall. Meanwhile, professional managers have to apply their knowledge in enterprises, especially in family firms which account for more than 90% of Chinese firms; otherwise, managers will have no stage to display their talents. Therefore, there is an interdependent relation between the family firm and the professional manager; and we can employ intergrowth theory to investigate their relationships.

2.1 Symbiosis unit

Symbiosis unit is the basic unit of energy production and energy exchange in a symbiosis relationship. Thereby, the family firm and the professional manager are symbiosis units which are foundations of this symbiosis system. Quality parameters are intrinsic decisive factors within symbiosis units. Accordingly, quality parameters of a family firm are the number of the staff, the capability of the staff, and the quality of the product or service and etc. while quality parameters of a professional manager are professional ethics, management abilities and etc.

Generally, there are 3 situations when family firms have to recruit professional managers outside. Firstly, the family firm is in the mature period with large scale. Secondly, the family firm needs non-linear and unconventional revolutions while there is no sound succession plan. Thirdly, business operations in the family firm fail to run well and shareholders are not satisfied with present managers. This paper then is set in the above situations with the hypothesis the family firm is in charge of the family owner.

2.2 Symbiosis model

2.2.1 Combinations of symbiosis modes

Symbiosis model can not only reflect how symbiosis units interact between each other but also indicate how intense those units interact. When based on different behaviors, symbiosis models can be divided into parasitism, commensalism, non-symmetrical mutualism and symmetrical mutualism. When based on different organized manners, symbiosis models can be divided into one-time symbiosis, intermittent symbiosis, continuous symbiosis, and integrated symbiosis. Then there will be 16 basic mode combinations altogether, which are as follows, one-time parasitism, intermittent parasitism, continuous parasitism, integrated parasitism, one-time commensalism, intermittent commensalism, continuous commensalism, integrated commensalism, non-symmetrical one-time intermittent mutualism, non-symmetrical continuous mutualism, non-symmetrical mutualism, non-symmetrical integrated mutualism, symmetrical one-time mutualism, symmetrical continuous mutualism, symmetrical intermittent mutualism and symmetrical integrated mutualism.

Table 1 Existing Symbiotic Models

Non-symmetrical one-time mutualism	Non-symmetrical Intermittent mutualism	Non-symmetrical Continuous mutualism
Family firm: the organization is but an empty shell; usually small and medium-sized private enterprises; power and responsibility is not defined clearly; the boss usually has the final say; neither streamlined nor institutionalized; managers can not exercise rights properly. Professional manger: lack of professional ethics; working without earnest and sincerity; not conformed to the required caliber.	The family owners are likely to be concerned that the family managers are taking too much out of the business, while the non-family managers may feel that their contribution is being under-rewarded. Amid fierce competition, there is high turnover of staff.	Professional managers can pursue their long-term goals within a stable framework. Family firms are able to obtain continued success. Intimate links the family firm and the manager.

2.2.2 Analysis of optimal symbiosis model

Among the above 16 mode combinations, continuous symmetrical mutualism is the optimal model which is the most efficient and stable symbiotic form. That is, both the family firm and the manager get

the equal opportunity to grow continually.

Presently, since both family firms and professional managers pursue maximum profit, neither parasitism nor commensalism exists while mutualism, especially non-symmetrical mutualism is a common mode. Hence, the existing models can be seen in Table 1.

2.3 Symbiosis environment

Symbiosis environment is the setting of all external conditions, entities and factors surrounding the symbiosis unit which influence its activities and choices. In the symbiotic system of family firm and professional manager, the external environment are related contains laws and regulations, professional manager market, the Confucianism culture, product market, capital market and so on.

At present, the professional manager market in China is far from perfect and related laws and regulations are absent. Besides, the Confucianism culture is rooted in China. People tend to trust those who are in blood relationships or who are their acquaintances. Moreover, trust is built on personal commitment.

2.4 Correlations of the above 3 factors

In the symbiotic system of family firm and professional manager, Symbiosis unit (U) is the foundation; symbiosis model (M) is the central part and symbiosis environment (E) represents external conditions. The symbiotic entity and the environment are interacting. The environment may have positive, negative or neutral effects on the symbiotic entity, vice versa.

The relationship between the symbiotic entity and the environment can be mirrored in symbiosis interface which is the complex of all connecting mechanisms between each symbiosis unit. The driving force of symbiosis interface is profit while the resistance is cost. Only when the power of driving force is greater than the power of resistance; that is, the profit is greater than the cost; then there will be material, information and energy exchange between family firms and managers.

Correlations of symbiosis unit, symbiosis model and symbiosis environment can be seen in Fig.1, in which U_1 U_2 represent the family firm and the professional manager respectively; M refers to the symbiosis model; E stands for external environments.

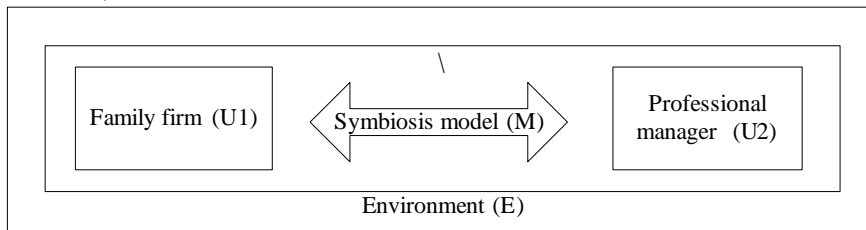


Figure 1 Improvements of Symbiotic Relationship between Family Firm and Professional Manager

3 Improving Symbiotic Relationship between Family Firm and Professional Manager

3.1 Optimizaiton of internal environment within symbiosis units

3.1.1 Optimization of internal environment of family firm

Existing studies have focused on optimizing corporate governance structures and improving relationships within. For example, separating family judgments from business judgments and to be seen to be so doing are significant; hiring independent outside counsels and formalizing corporate structure. Besides, it becomes particularly important to define jobs and the responsibilities which go with them more clearly when non-family managers are appointed.

However, this paper mainly discusses the perfection of management system in family firms.

Firstly, it makes sense to encourage all the family members with an interest in the firm to arrange to meet at regular intervals to discuss family and business issues. Such gatherings may start by being informal, but there are advantages both to the family and to the firm in moving to some kind of properly constituted family council or assembly. This involves deciding who is entitled to membership, for example, should members by marriage who may not own shares be included; and it is also useful to elect someone who can speak for the family, probably the assembly's chairman. Secondly, the management network of the firm should be aligned to its purpose, so that the pattern of organization is logical. The chain of command and the decision-making process should be clear. Jobs need to be properly defined and responsibilities allocated; the assignment of tasks should be known inside and outside the firm. All of this helps to avoid arguments within the family about the way in which the firm

is being run and responsibilities shared. Thirdly, appropriate management development plan should be programmed. The purposes of the plan are, on one hand, to provide professional opportunities for family members; on the other hand, to offer promotion and growth to non-family managers. The plan may contain personnel arrangement, training of both family and non-family members and defining roles work, etc.

3.1.2 Optimization of internal environment of professional manager

There is no doubt that professional managers should improve their competence all the time such as coaching skills, team-building and flexibility, etc. Besides, for Chinese professional managers, it is urgently required to be more tolerant and dedicated. Integrity and loyalty is always the first principle. Credibility is the same important as or even more important than caliber.

3.2 Optimizaition of the interface

Cultivating a mature manager market, building a credit society, constructing a more tolerant national culture and improving individual property rights protection system are all effective methods to optimize the interface of the symbiotic relationship. Moreover, in a relatively microscopic level, we can establish a credit institution containing credit files and credit ratings. Overall, the improvements can be seen in Fig.2.

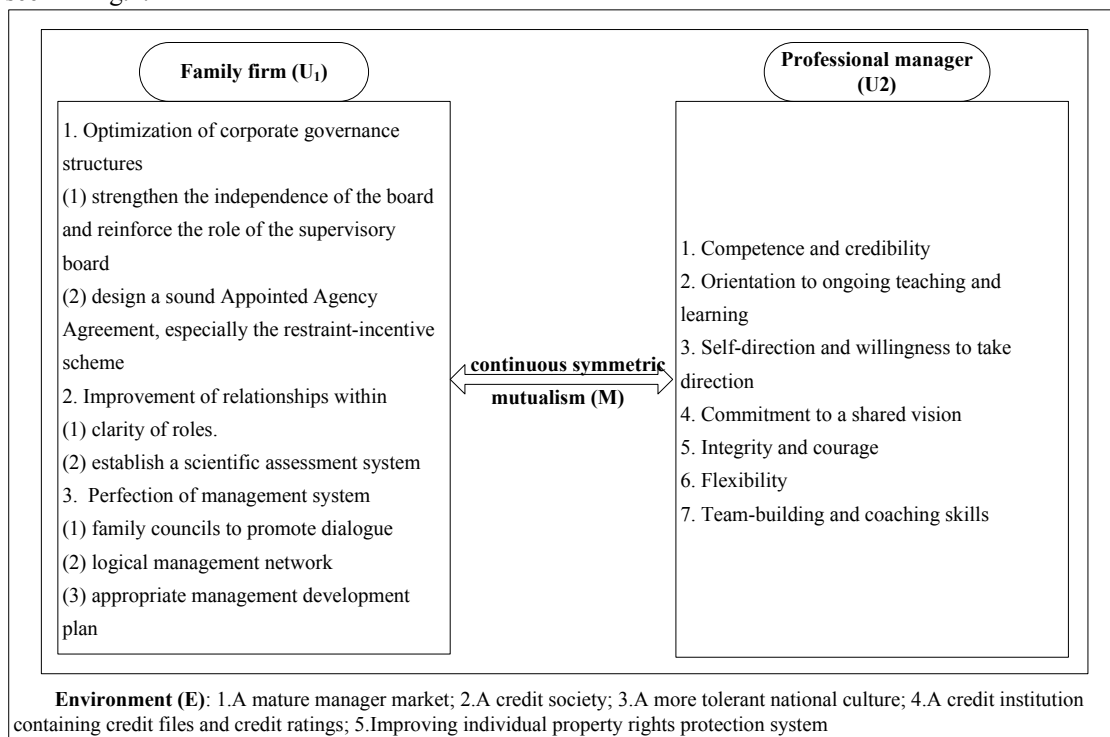


Figure 2 Improvements of Symbiotic Relationship between Family Firm and Professional Manager

4 Conclusion

This paper sought to analyze the symbiotic relationships between family firm and professional manager. Firstly, there is an interdependent relation between family firm and professional manager; and we can employ intergrowth theory to investigate rules of the symbiosis system. Secondly, continuous symmetrical mutualism is an ideal state which is the most efficient and most stable symbiotic form while mutualism, especially non-symmetrical mutualism is very common nowadays. Thirdly, since symbiosis unit is the foundation of the symbiotic system while related laws and regulations can be seen as symbiosis interface; we can improve the symbiotic system by optimizing the internal environment within symbiosis units and by improving the interface.

However, intergrowth theory is classified into the biological category after all; when applied into social science, there is still a long way to go to be more exact and suitable. Empirical studies and quantitative analyses are needed in next step.

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