

**AN ASSESSMENT OF
NEW MANAGEMENT STYLE OF CHINESE FAMILY
CONSTRUCTION RELATED COMPANY**

by

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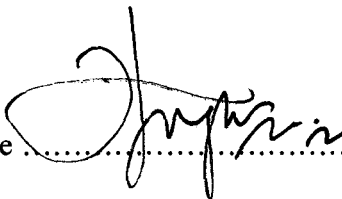
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DECLARATION

I, OOI HUNG NEE declare that “An assessment of new Management style of Chinese Family Construction Related Company” is my own work and that all the sources I have quoted have been indicated and acknowledged by means of proper references.

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24/5

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ABSTRACT

This research is a study of Chinese Family Construction Related Company (CFCRC) that focuses on their philosophy of Chinese management practices and to compare and identify similarities and differences in the management philosophy between the old generation and the new generation style of thinking. The purpose of the study is to explore the management characteristics of CFCRC by means of interview data collected from three CFCRC in Malaysia. The interviewees are all involved in construction field. The emphasis of the project concentrated on the establishment; expansion and growth; ownership and leadership; management structure; the impact of cultural factors and the strategy for the future as well as challenges in terms of competitors and environments.

In contrast to prevailing cultural and institutional accounts of CFCRC behaviour, CFCRC generally use an informal and unstructured approach when it comes to management practices. They tend to use family members to be in charge of key management positions, with highly centralized management control and strategic decision-making. CFCRC possess special characteristics not generally found in other cultures. For example, trust would be the most important part in doing business among all the Chinese, whereas “building trust” would be the main emphasis in facilitating business relationships.

The results of the study showed that, in general, the three cases of CFCRC still followed many of the traditional management practices associated with oversea Chinese family business as reviewed in the literature. But because of the knowledge that the new generation gained from modern management skill, they had practice the new skill in those traditional Chinese company.

ABSTRAK

Kajian ini mengaji cara-cara pengurusan atas falsafa cina tentang Syarikat Pembinaan Cina dan untuk berbanding and mengenal pasti kesamaan dan perbezaan bagi generasi tua dan generasi baru. Tujuan kajian ini adalah mengeksploitasi dengan data-data daripada tiga syarikat pembinaan cina di Malaysia. Majikan yang ditemuduga adalah dari bidang pembinaan. Kajian ini menekankan dari aspek-aspek seperti tahun pendirian syarikat, peluasan dan kemajuan syarikat, kemilikan dan pimpian, pimpinan struktur, dampak factor kebudayaan, strategi selama masa dan tantangan di syarat-syarat saingan dan lingkungan.

Syarikat pembinaan cina secara umumnya menyelesaikan masalah pengurusan dengan cara yang tidak formal. Ahli-ahli keluarga memegang jawatan yang penting dalam pengurusan aktiviti perniagaan, membuat keputusan dalam segala hal berkaitan dengan urusan perniagaan dan sebagainya. Syarikat pembinaan cina mempunyai cirri-ciri pengurusan yang istimewa yang berbeza daripada pengurusan umum yang lain. Sebagai contohnya, kepercayaan, adalah unsur yang amat penting sekali dalam urusan perniagaan antara peniaga peniaga cina. Dengan hubungan yang berasaskan kepercayaan, talian perniagaan dapat dieratkan lagi..

Dalam keputusan kajian ini, telah menunjukkan bahawa tiga kes syarikat bina cina masih mengamalkan cara tradisi pengurusan yang mempunyai cirri-ciri yang tersendiri. Generasi muda dalam zaman ini telak bergabung pengetahuan pengurusan yang moden dengan cara pengurusan perniagaan tradisi cina.

CONTENTS

DECLARATION	i
ACKNOWLEDGEMENTS	ii
ABSTRACT	iv
CONTENTS	vi
LIST OF FIGURES	ix
LIST OF TABLE	ix

CHAPTER 1. INTRODUCTION

1.1	INTRODUCTION	1
1.2	PROBLEM STATEMENT	3
1.3	OBJECTIVE OF THE STUDY	5
1.4	SCOPE AND LIMITATION OF RESEARCH	6
1.5	METHODOLOGY OF THE STUDY	6
1.6	STRUCTURE OF THE STUDY	7

CHAPTER 2. LITERATURE REVIEW

2.1	DEFINITION OF FAMILY BUSINESS	10
2.1.1	Issues in the Family Business	13
2.1.2	Who Are the Actors?	14
2.1.3	Family Members	
	2.1.3.1 Neither an Employee nor an Owner	14
	2.1.3.2 An Employee but not an Owner	15
	2.1.3.3 An Employee and an Owner	15
	2.1.3.4 Not an Employee but an Owner	15
2.1.4	Non-family Members	
	2.1.4.1 An Employee but not an Owner	16
	2.1.4.2 An Employee and an Owner	16
2.1.5	Conflicts	17
2.1.6	Family Strategic Planning	18
2.1.7	The Family Retreat	18
2.1.8	The Strategic Management Framework	20
2.1.9	Family Business's Goals and Objectives	25
2.1.10	The Transferring Of The Family Business	28
2.2	CHINESE FAMILY BUSINESS HISTORY	31
2.2.1	Cultural , Entrepreneurship or Patronage	33
2.2.2	Cronyism	36
2.2.3	Nepotism	37
2.2.4	Guanxi	37
2.2.5	Renqing	38
2.2.6	Lack of Trust	40
2.3	CHINESE WISDOM FOR EFFECTIVE MANAGEMENT	42
2.3.1	Lao Tzu's Tao Te Ching	44

2.3.2	Zhuge Liang's "Art of Management"	46
2.3.3	Thirty-six Chinese Classical Strategies	47
2.3.4	Applying Sun Tzu's Art Of War In Today's Management	49
2.3.4.1	Contingency Approach	50
2.3.4.2	Multi Disciplinary Approach	51
2.3.4.3	Human Resource Approach	51
2.3.4.4	System Approach	52
2.4	INTRODUCTION TO MODERN NEW PROJECT MANAGEMENT PHILOSOPHY	54
2.5	YTL CORPORATION	59
2.6	GENTING GROUPS	60
CHAPTER 3 METHODOLOGY		
3.1	INTRODUCTION	62
3.2	DATA COLLECTION	62
3.3	INTERVIEW AND QUESTIONNAIRE PREPARATION	62
3.3	CASE STUDY 1: COMPANY A	
3.3.1	Background	64
3.3.2	Establishment, Expansion And Growth	64
3.3.3	Ownership And Leadership	68
3.3.4	Management Structure	69
3.3.5	The Impact Of Cultural Factors	69
3.3.6	Strategy For The Future	70
3.4	CASE STUDY 2 : COMPANY B	
3.4.1	Background	71
3.4.2	Establishment, Expansion And Growth	71
3.4.3	Ownership And Leadership	72
3.4.4	Management Structure	73
3.4.5	The Impact Of Cultural Factors	73
3.4.6	Strategy For The Future	74
3.5	CASE STUDY 3: COMPANY C	
3.5.1	Background	75
3.5.2	Establishment, expansion and growth	75
3.5.3	Ownership And Leadership	76
3.5.4	Management Structure	76
3.5.5	The Impact Of Cultural Factors	77
3.5.6	Strategy For The Future	78

CHAPTER 4: FINDINGS		
4.1	INTRODUCTION	79
4.2	THE GENERAL CHARACTERISTICS OF THREE LOCAL CFCRC	79
4.3	ANALYZING AND DISCUSSING THE FINDINGS	81
4.3.1	Organizational Structure	82
4.3.2	Family-Owned Assets	82
4.3.3	Small-Scale Employees	83
4.3.4	Simple Structure	84
4.3.5	Nepotism	85
4.3.6	Management Process	85
4.3.7	Leadership Style	85
4.3.8	Decision-Making Procedures	86
4.3.9	The Control Process	87
4.3.10	Succession Planning	88
4.3.11	Chinese Culture And Trust	89
4.3.12	Ethnic Business Networks	91
4.3.13	Entrepreneur	93
4.3.14	Strategic Planning	94
4.3.15	Competitive Environment	95
4.4	SUMMARY OF THE FINDINGS	
CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS		
5.1	INTRODUCTION	101
5.2	SUMMARY	101
5.3	CONCLUSIONS	103
5.4	RECOMMENDATIONS	108
APPENDICES		
APPENDIX 1 : LETTER TO RESPONDENT		109
APPENDIX 2 : STRATEGY PLAN CHECKLIST		110
APPENDIX 3 : QUESTIONNAIRES		112
BIBLIOGRAPHY		117

LIST OF FIGURES

- Figure 2.1 Strategic Management Framework
- Figure 2.2 Chinese Wisdom
- Figure 2.3 PMBOK
- Figure 5.1 The Characteristic of CFCRC

LIST OF TABLE

- Table 4.1 General Characteristics Of CFCRC And Characteristics Of Respondents

CHAPTER 1. INTRODUCTION

1.1 INTRODUCTION

Malaysia provides an interesting case study as ethnic Chinese, who constitute about 28 per cent of population, have maintained a huge presence in the corporate sector despite having to deal with a state that has not been supportive of its business interests. In these circumstances, it could logically be presumed that intra-ethnic business co-operation has contributed to the continued growth of Malaysia- Chinese capital. This research provides a study of some Chinese companies, contextualized within an analysis of Malaysia's economic development. Case studies on three Chinese Family Construction Related Companies focus on the factors that have determined forms of business practice and influenced corporate ventures.

As the oldest military treatise among the Chinese classical works, Sun Tzu's Art of war is surprisingly a very short book which containing only some 6,000 characters in Chinese literary writing. This 2,500-year-old book has however continued to provoke much interest among military leaders and businessmen even in modern times.

Sun Tzu's Art of War abounds with useful hints on what has to be done but does not provide details on how to go about what he suggest, we shall nonetheless go by his " eye-openers" in relation today's context and employ modern techniques to make his hints work.

Sun Tzu's principles in the Art of War can be applied to resolve various business problems. In order to understand these principles and to be able to apply them effectively, we shall be guided by the basic approaches such as contingency approach, multi-disciplinary approach, human resource approach and systems approach. The contingency approach which requires the flexible use of different environments if we wish to be effective instead of relying on a 'one best way', while the multi-disciplinary approach which accepts an integration of many disciplines to enhance this study. The human resource approach which seeks to support employee development and growth for effectiveness and system approach which recognizes the interaction of all parts of an organization as well as inter-organizational dependency in a complex relationship.

A Chinese family business can include up to five subgroups: core family members, close relatives, long-term employees, distant relatives and unrelated employees. The closer to the core one is, the more dominant the position they will possess. This is based on Confucian philosophy, which places the family unit as the fundamental economic unit (Chen, 1995b). Management tends to be informal with decisions often made for subjective, rather than objective reasons. However, an informal organization can cut down on formal work processes, thereby speeding up communication as well as response time (Chen, 1995a).

Chinese family's businesses are characterized by centralized decision-making, autocratic and paternalistic leadership styles and the existence of nepotism (Kirkbride and Tang,

1992). The head of a Chinese family business typically is a “paterfamilias,” all-powerful in both social and economic spheres. He delegates key activities and positions to members of the family. Chinese management is human-centered (Menkhoff, 1993). Business relationships always built on the notion of friendship, loyalty and trustworthiness (Sheng, 1979). Chinese businesses are usually family firms because, within traditional Chinese culture, you can only trust close relatives. Chinese trust their families absolutely, but they trust their friends and acquaintances only to the degree, that mutual dependence has been established and trust invested in them. With everybody else, they make no assumptions about their goodwill (Redding, 1990). Boisot and Child (1996) state that most CFCRC have strong corporate cultures based on traditional values such as loyalty, filial piety (deep respect and love to his/her parents), diligence, humility and frugality. It has a significant influence on the business strategies of traditional CFCRC where family relationships are stressed. Tong and Yong (1997) argue that extensive networking and relational contracting are based largely on relationship and personal trust.

1.2 PROBLEM STATEMENT

Kao (1993) states that China itself, make up the world’s fourth economic power after North America, Japan and Europe. Most of these companies are in the form of family businesses where ownership and managerial control are both concentrated within a single-family unit. The overseas Chinese have a worldwide reputation for being astute entrepreneurs and competitive in business. Furthermore, overseas Chinese family

businesses have gained a reputation for their cost efficiency, responsiveness and flexibility. Their success is based upon a relatively simple 'personally managed' organization operating within a network of kin and ethnic relations (Kao, 1993).

Fundamentally, Chinese family business strategies and management systems have their origins in Chinese culture and philosophy (Menkhoff, 1993). Without a deep understanding of such origins, it is difficult to comprehend fully the complexity of business relationships and practices as well as the underlying values and social forces, which continue to shape Chinese family businesses.

Chinese Construction Company are contributed some of the growth of economy in our country. Many of these companies are in the form of Chinese Family Company where ownership and managerial control are both concentrated within a single family or closer friends. The importance of the Chinese Family Construction Related Company has been paid much attention researchers in this field. Some of the following research questions can be postulated:

- What is the philosophy of Chinese businessperson especially in construction related company?
- Are the new generation involved themselves in their father's company?
- What kinds of management practice do they pursue (either old generation or new generation) ?
- Do they follow the same principles as described in literature reviews?

- Do they implement a unique style of management?
- What are the characteristics of their management style?

1.3 OBJECTIVE OF THE STUDY

This research project also intends to briefly assess the Chinese culture. Chinese culture is not the exclusive privilege of the Chinese, but rather a way of thinking that can be learned by all over time. The value of this way of thinking goes far beyond simply enabling one to do business with the Chinese. In fact, exposure to this learning may be exceptionally useful both in personal endeavors as well as in one's business career (Hodder, 1996).

This study gives a brief examination of Chinese Family Construction Related Company in Malaysia and it will assess the present management practices of five companies. The researcher also refers to some of the information from the storybook of the owner such as YTL and Genting Group. Therefore, the objectives of this study are:

- To study the management philosophy of Chinese Construction related family business in Malaysia;
- To compare and identify similarities and differences in the management philosophy between the old generation and the new generation style of thinking.

In terms of the above, this research project aims to identify whether the three Chinese family construction related companies interviewed manage their enterprises in a style

similar or different to those reported in the literature. It is an examination of new style in Management of Chinese construction related company that focus on the philosophy on how Chinese people dealing with the management in their company. The interviewees are all involved in the construction and all field of engineering company. While undertaking research on these three companies, I have found that the owner had train their children to join the company. Most of the children have high level of education, which related to project management. They had applied and practice those skills of western management into a typical Chinese business.

1.4 SCOPE AND LIMITATION OF THE STUDY

The research is confined to the study of New Management Style of Chinese Family Construction Related Company. The data are collected from the face-to-face interview survey and questionnaire with the three owners mainly. These three owners had been involved themselves in the constructions field in Penang for more than 20 years and the researcher specially interview those whose new generation are involving into the company too.

1.5 METHODOLOGY OF THE STUDY

The focus of the study is based on both primary and secondary sources of information related to the topic. Primary information will be acquired by means of questionnaires and interviews, which will assist the researcher to obtain invaluable opinions in order to

achieve the research objectives. Interviews will be conducted in Malaysia with three local selected Chinese entrepreneurs to determine their experience and attitudes towards Chinese family construction related company in terms of their management practice. It also includes the interviews of the children of the owners who involved in the business and their philosophy of the management.

The information collected by means of the questionnaire also will assist the researcher to gain more clarity and to solve uncertainties on a series of questions, such as “What do you think are the most important management problems in your company?”, “Do you have any generation gap between your father/children?”. The answers can indicate certain priorities among family members in terms of trust, relationship, co-ordination, etc. A questionnaire had been prepared to interview the owners. Most of the questions are responded by the owners with satisfied answer.

All the data are then been analyzed and by the researcher and shown in the findings chapter. The differentiation of the management style of the old generation and new generation are clarified.

1.6 STRUCTURE OF THE STUDY

The first chapter is an introduction that covers the objective of the study, the delimitation of the study, methodology and significance of the study. The chapter also

presents a structure of the study, gives a briefly introduction for each chapter in order for the reader to have a general understanding of this study.

Chapter 2 presents the literature review. By means of a related survey of the literature, Chapter 2 focuses on identifying the history of Chinese Family business, the cultural of how the Chinese businesspersons handle their company. Besides, it also includes the useful of Sun Tzu's Art of War on today's Chinese management and philosophy of Chinese businessperson. There is some research on the Malaysian's Chinese company, which related to construction field. In addition, the researcher had included some study on the theory from Project Management Body of Knowledge which most of the modern company had widely and internationally applied in nowadays.

In Chapter 3, the researcher explains the sequences of the structured on interview and questionnaire. A general introduction for each case based on the interviews will be presented. The interviewees will focus on the owners of CFCRC as well as family members involved in the enterprises. In order to give the reader a clear view of three local CFCRC, each case focuses on the following fields: the reason of establishment; the ownership& leadership; management structure; succession plan; strategic planning; and challenges in terms of competitors and environments.

In Chapter 4, the researcher discusses some management issues based on the information gained from the interviews. For example, structure, leadership and

decision-making, management control and external relations perspectives. In addition, the findings will be compared to findings from the literature on Chinese Family Construction Related Company.

Chapter 5 presents a summary of the research. In addition, conclusions drawn from this study will be presented and recommendations, as derived from the study, will be made.

CHAPTER 2. LITERATURE REVIEW

2.1 DEFINITION OF FAMILY BUSINESS

Defined simply, a family business is any business in which a majority of the ownership or control lies within a family, and in which two or more family members is directly involved. It is also a complex, dual system consisting of the family and the business; family members involved in the business are part of a task system (the business) and part of a family system. This is where conflict may occur because each system has its own rules, roles and requirements. For example, the family system is an emotional one, stressing relationships and rewarding loyalty with love and with care. Entry into this system is by birth, and membership is permanent. The role you have in the family - husband/father, wife/mother, and child/brother/sister - carries with it certain responsibilities and expectations.

In addition, families have their own style of communicating and resolving conflicts, which they have spent years perfecting. These styles may be good for family situations but may not be the best ways to resolve business conflicts.

Conversely, the business system is unemotional and contractually based. Entry is based on experience, expertise and potential. Membership is contingent upon performance, and performance is rewarded materially. Like the family system, roles in the business, such as president, manager, employee and stockholder/owner, carry specific

responsibilities and expectations. Moreover, like the home environment, businesses have their own communication, conflict resolution and decision making styles. Conflicts arise when roles assumed in one system intrude on roles in the other, when communication patterns used in one system are used in the other or when there are conflicts of interest between the two systems. For example, a conflict may arise between parent and child, between siblings or between a husband and wife when roles assumed in the business system carry over to the family system. The boss and employee roles a husband and wife might assume at work most likely will not be appropriate as at-home roles.

Alternatively, a role assumed in the family may not work well in the business. For instance, offspring who are the peace makers at home may find themselves mediating management conflicts between family members whether or not they have the desire or qualifications to do so. A special case of role carryover may occur when an individual is continually cast in a particular role. This happens primarily to children. Everyone grows up with a label: the good one, the black sheep, and the smart one. While a person may outgrow a label, the family often perceives that person as still carrying the attribute. This perception may affect the way that person operates in the business.

Family communication patterns do not always affect the business, but when they do, it can be very embarrassing. Often you say things to family members in a way you would never speak to other employees or managers. This problem is compounded when your

communication is misread by the family member. Often parents are surprised by a son's or daughter's negative reaction to a business directive or performance evaluation. This reaction is probably because the individual perceived the instructions or evaluation as orders or criticism from Dad or Mom, not from the boss. System overlap is apparent when conflicts of interest arise between the family and the business. Some families put personal concerns before business concerns instead of trying to achieve a balance between the two.

It is important to understand that the family's strong emotional attachments and overriding sense of loyalty to each other create unique management situations. For example, solving a family problem, such as giving an unemployable or incompetent relative a position in the firm, ignores the company's personnel needs but meets the needs of family loyalty. Another example of conflict of interest occurs when business owners feel that giving children equal salaries is fair. Siblings who have more responsibility but receive the same pay as those with less responsibility usually resent it. In cases of sibling rivalry, it is not unusual for one sibling to withhold information from another or try to engage in power plays, i.e., behaviors that can be detrimental to the firm. Much of this behavior can be eliminated or managed by devising policies that meet the needs of both the family and the business. Developing these policies is part of the family strategic planning process. Before discussing them, you should make sure you have identified all the issues that need to be addressed.

2.1.1 Issues in the Family Business

The list below contains the issues that most family businesses often face:

- The participation – In this case, the family members will have to delegate the person who can participate in the family business and under what circumstances he/she can do.
- Leadership and ownership – The family members have to prepare to choose the person from the next generation to assume responsibility for the business.
- Different opinion – They have to face, handle and solve the different opinion of the decisions making.
- Liquidity and estate taxes.
- Attracting and retaining non-family member executives.
- Compensation of family members -- equality versus merit.
- Successors -- who chooses and how to choose among multiple successors.
- Strengthening family harmony.

All of these issues and the others which the researcher includes in the Family Business Assessment Inventory can potentially cause business conflict and family stress.

Nevertheless, there are three steps we can take to manage conflict and stress in a family business:

- Identify issues that may cause conflict and stress.
- Discuss these issues with the family.
- Devise a policy to address them.

2.1.2 Who Are the Actors?

The next consideration in understanding the family business is to understand the perspectives of those involved. Without this understanding, managing a family business will be difficult. The actors in the family business can be divided into two groups: (1) family members and (2) non-family members. Each group has its own perspective and set of concerns and is capable of exerting pressures within the family and the firm.

2.1.3 Family Members

2.1.3.1 Neither an Employee nor an Owner

Children and in-laws are usually in this group. Although they may not be part of the business operations, they can exert pressure within the family that affects the business. For example, children may resent the time a parent spends in the business. This creates a problem because parents usually develop guilt feelings because of their neglect and the resentment expressed by the children. In-laws, on the other hand, are viewed either as outsiders and intruders or as allies and therefore are usually ignored or misunderstood. For example, a daughter-in-law is usually expected to support her husband's efforts in the business without a clear understanding of family or business dynamics. She may contribute to family problems or find herself in the middle of a family struggle. The son-in-law faces similar, if not worse, problems. He may be placed in a competitive situation with his wife's brothers. If he is not involved in the family business, he can still exert pressure on the business in his role as his wife's confidant.

2.1.3.2 An Employee but not an Owner

This family member works in the business but does not have an ownership position. For this individual, conflict may arise for a number of reasons. For example, if he or she compares himself or herself to the family member who has an ownership position but is not an employee, a sense of inequity may result. The member may voice his or her resentment: I am doing all the work, and they just sit back and get all the profits. On the other hand, resentment may occur when decisions are made by owners alone. Here, he or she may feel: I am working here every day. I know how decisions are going to affect the company. Why didn't they ask me? Family members employed in or associated with a family business generally expect to be treated differently from non-family employees.

2.1.3.3 An Employee and an Owner

This individual may have the most difficult position. He or she must effectively handle all the actors in both systems. As an owner, he or she is responsible for the well-being and continuance of the business, as well as the daily business operations. He or she must deal with the concerns of both family and non-family employees. Often, the founder, as the sole owner and chief executive, falls in this category.

2.1.3.4 Not an Employee but an Owner

This group usually consists of siblings and retired relatives. Their major concern usually is the income provided by the business; thus, anything that threatens their

security may cause conflict. For example, if the managing owners want to pursue a growth strategy that will consume cash and has an element of risk, they may face resistance from retired relatives who are concerned primarily about dividend payments.

2.1.4 Non-family Members

2.1.4.1 An Employee but not an Owner

This group deals with the issues of nepotism and coalition building and the effects of family conflicts on daily operations. Owners' concerns for non-owner employees usually involve recruiting and motivating non-family employees and non-family owner-managers who will have little or no opportunity for advancement, accepting children of non-family managers into the business and minimizing political moves that support family members over non-owner employees.

2.1.4.2 An Employee and an Owner

With the emergence of stock-option plans, this group has become more important. Employees may become owners during a succession. In companies where a successor has been chosen, partial ownership of the company by its employees can foster cooperation with the new management because the employees will personally share the benefits and responsibilities of the company. In cases where there is no successor, selling the company to the employees who have helped build it makes good business sense. Employees who own the company will want to be treated like owners, which may be difficult for family members to understand and accept. A thorough

understanding of the behavioral consequences of an employee stockownership program (ESOP) should be grasped before a family implements such a program. Understanding the perspective of the individuals around us, both family and non-family, will make communicating and decision making easier.

2.1.5 Conflicts

When conflict occurs in the family business, it can be traced to a disparity in the goals of the individuals, the family or the business. Perhaps a family member works in the business out of economic necessity, not because he or she wants to. Alternatively, perhaps the potential successor has plans for the business that differ from current management plans -- different generations usually have different goals. Whatever the cause, the conflict must be addressed and resolved to avoid and prevent problems that are more serious in future. One way to define and align family and business goals is through business and family strategic planning. In these plans, we will create a mission statement for the business and for the family that allows each element to complement the other. Once we have completed this task, set goals for the family business that will allow the family and business to prosper. Next, develop a strategy to accomplish these goals and, finally, formulate policies and procedures that control the family's involvement in the business. Appendix 2, the Strategic Plan Checklist, can help us review the steps in strategic planning.

2.1.6 Family Strategic Planning

The entire family should develop a mission statement or creed that defines why it is committed to the business. By sharing priorities, strengths and weaknesses, and the contribution each member can make to the business, the family will begin to create a unified vision of the firm. This vision will include personal goals and career objectives. An important issue to consider is how to set priorities for the family and the business, i.e., decide which will come first, the family or the business. How you answer this question will influence your planning. Some family members will opt for the business first, reasoning that, without a business, there will be no financial security for the family. Others will opt for the family first, reasoning that no business is worth the loss of family harmony. A third alternative is to serve both family and business perhaps not equally, but as fairly as possible.

Under this alternative, all decisions are made to satisfy both family and business objectives. For example, a family may have a policy that any family member may join the business, but he or she must meet the requirements of the job. You may find this is the best alternative because it forces a commitment to both the family and the business.

2.1.7 The Family Retreat

Trying to plan a business strategy during normal office hours is almost impossible. Plan a family business retreat to discuss the goals of the individual family members and the goals of the business. The first retreat should focus on reviewing the firm's history,

defining family and business values and missions, creating a statement about the future of the business and reviewing areas that need more attention.

The purpose of the retreat is to provide a forum for introspection, problem solving and policy making. For some participants this will be their first opportunity to talk about their concerns in a non-confrontational atmosphere. It is also a time to celebrate the family and enhance its inner strength. A retreat usually lasts two days and is held far enough away so you will not be disturbed or tempted to go to the office. Every member of the family, including in-laws, should be invited. Begin planning the retreat about six weeks in advance. Once the time and place is picked, a tentative agenda established.

The actual agenda will be tailored to meet the unique needs of the family and business.

Usually families will identify some of the following issues for discussion at their first retreat:

- A family creed or mission statement.
- Management succession.
- Estate planning.
- Strategic business planning.
- The reward system.
- Performance evaluation.
- Communication within the family.
- Preparing adult children to enter the business.
- Transition timing.

- Exit and entry policies.

By using a retreat facilitator, a professional experienced in helping family-owned businesses is useful. The facilitator helps identify issues for discussion before the retreat and keeps the atmosphere non-confrontational during the retreat. The facilitator does not solve the family's problems but guides the family in doing so. The retreat is the beginning of a process. When a consensus is reached by the participants, policies should be set, courses of action planned and responsibility for implementation assigned. When agreement cannot be reached, further discussions should be planned, possibly with the continued assistance of the facilitator.

One important outcome of the retreat should be plans for periodic family meetings and retreats in the future, so the dialogue will continue. Open communications will enable the family to come to grips with problems and issues while they are easy to solve. Once family members have reached a consensus on the continuity of the firm and their roles in it, you can begin planning for succession.

2.1.8 The Strategic Management Framework

There is generally familiarity with the concept of a family business, a friend or acquaintance, or perhaps members of one's own family, who may be involved in (or own) a family business. The family business is the most significant and universal form of business organization.

- Family relationships are very strong and family members tend to stick with the business through thick and thin.
- Family members will sacrifice their income to keep the business going,
- The fact that it is a family business can be used in marketing campaigns to distinguish the business from its competitors, highlighting a strong commitment to the business, high ethical standards as well as a personal commitment to serving its clients and the community.
- When family members work well together, they make good business partners, which ensure a competitive edge.
- Family businesses focus on the long term.
- Family businesses emphasize quality because their good name is at stake.
- The same values that are pursued at home are brought to the business and this ensures a secure foundation for the business.

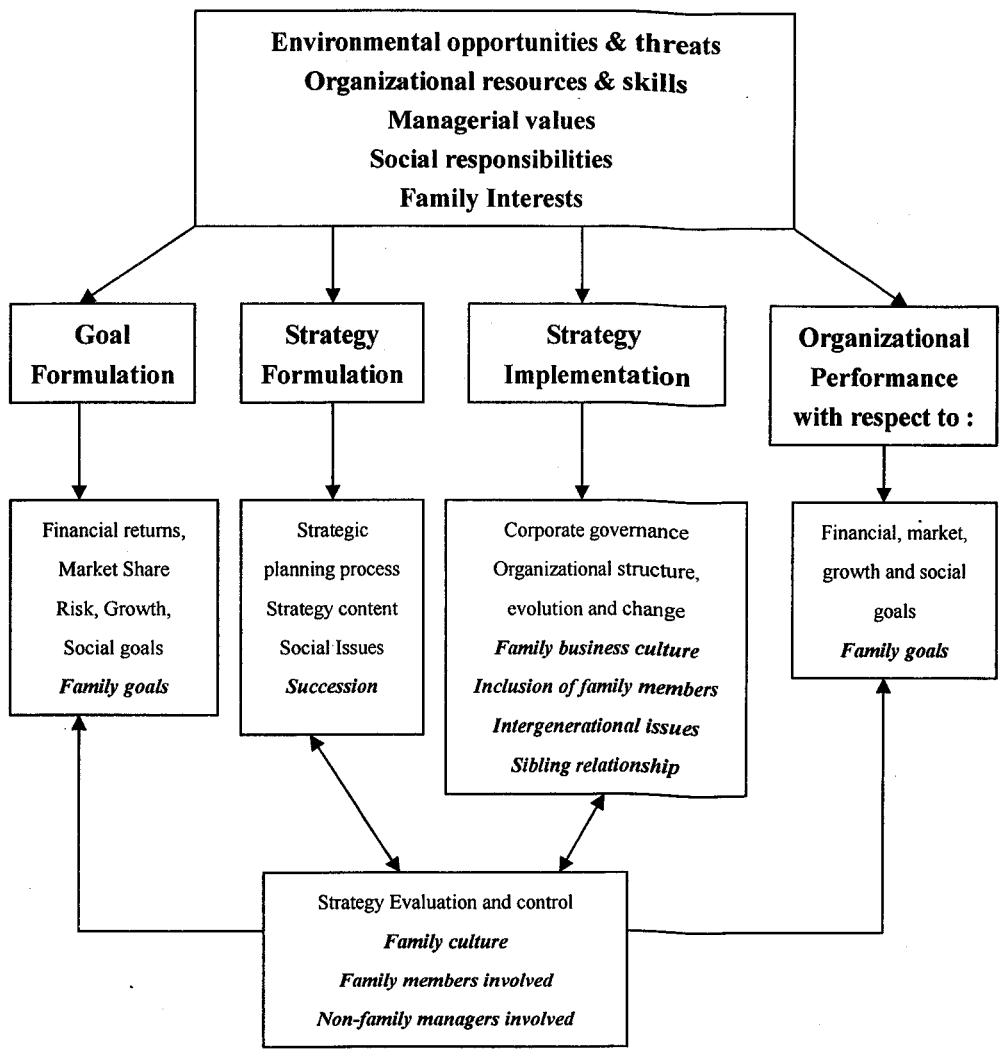
From the above findings, it can be argued that if the values of the family and the business are sound, this could provide the business with additional advantages. A family business has its own unique characteristics and in this chapter, a summary of these views are presented to illustrate the management framework of CFCRC and management practice from a theoretical perspective.

As cited by Chua, Sharma, and Chrisman (1996), family business is defined as a business governed and/or managed on a sustainable, potentially cross-generational,

basis to shape and perhaps pursue the formal or implicit vision of the business held by members of the same family or a small member of families. This definition is important from a strategic management perspective because it implies that there are goals being pursued, a strategy designed to fulfill those goals, and mechanisms in place to implement the strategy and control the firm's progress toward the achievement of its goals.

The basic strategic management processes for both family and non-family firms is similar in the sense that a strategy, whether implicit or explicit, must be formulated, implemented, and controlled in the context of a set of goals. In this sense, even performance is similar, since it should be measured with respect to achieving a set of goals. The differences are in the set of goal, the manner in which the process is carried out, and the participants in the process. For example, in family firms, the owner-family is likely influence every step of the process (Harris, Martinez, and Ward 1994), whereas in non-family firms, family influences are at best (or worst) indirect. The similarities provide the field with a general working model of the factors that should affect a family firm's performance. The differences, or possibilities of differences, suggest that each aspect of the strategic management process in family firms needs to be carefully explored and compared to the processes used in other family firms and in non-family firms. Such comparisons promise to improve the management practices in both types of firms, since the cross-fertilization of ideas cannot proceed effectively without an understanding of what those differences are, why they have occurred, and their results.

The strategic management framework with which the researcher reviews the literature is based on a simplified model of the strategic management process (Andrews, 1971; Schendel and Hofer, 1979). Figure 2.1 provides a schematic diagram of this model. As the figure shows, the process is dynamic and interactive. Goals must be selected, strategies formulated to achieve those goals, and the chosen strategies implemented. Furthermore, at all stages it is necessary to select and evaluate alternatives, make decisions, and ensure that effective control processes are in place in order to make adjustments where needed. How well a organization accomplish these tasks in light of the opportunities and threats in its environment, the resources it possesses or can procure, and the values and non-economic responsibilities held by its managers, determine its performance.



****Family influence appear in boldface italic**

Figure 2.1 Strategic Management Framework

(Source : Pramodita 1997)

Within this framework, the family business may differ from non-family businesses because the controlling family's influence, interests, and values have overriding importance. The key which to understand all these influences and how to harness the potential strengths they convey, and to deal with the weaknesses with which they encumber the firm.