

行政院國家科學委員會補助專題研究計畫成果報告

華人家族企業網絡的管理控制型態：
家族/人際因素與經濟/策略因素之考量

Management Control Styles of Chinese Family Business Networks:
Family/Interpersonal Factors versus Economic/Strategic Factors

計畫類別：個別型計畫

計畫編號：NSC 90-2416-H-002-042

執行期間： 90年8月1日 至 91年7月31日

計畫主持人：朱文儀

執行單位：台灣大學工商管理學系

中華民國 91 年 10 月 22 日

行政院國家科學委員會專題研究計劃成果報告

華人家族企業網絡的管理控制型態：家族/人際因素與經濟/策略因素之考量

Management Control Styles of Chinese Family Business Networks: Family/Interpersonal Factors versus Economic/Strategic Factors

計畫編號：NSC 90-2416-H-002-042

執行期間：90年8月1日至91年7月31日

主持人：朱文儀 國立台灣大學工商管理學系

I. ABSTRACT

This research project empirically investigated how the management control styles of Chinese family business networks are influenced by family/interpersonal and economic/strategic factors. Hypotheses were developed and empirically tested by using data collected from 122 affiliated companies of 28 Chinese family business networks.

Keywords: management style, Chinese family business

中文摘要

本研究計劃以華人家族企業網絡的管理控制型態為主題，來探討其如何受到家族/人際因素，以及經濟/策略因素兩方面的影響。本研究透過整合相關理論，發展出研究假說，並以28個華人家族企業網絡中的128個子公司的資料，進行假說之檢定。

關鍵詞：管理型態，華人家族企業

II. MOTIVATION AND BACKGROUND

In recent decades the most important innovations in business management are emerging in the Southeast Asia. In this region, most economies are dominated by overseas Chinese family businesses (Hamilton, 1996; Weidenbaum & Hughes, 1996), especially in the three overseas Chinese economies: Taiwan, Hong Kong, and

Singapore. Most existing studies on Chinese family firms follow the institutional perspective to examine the organizational isomorphism in Chinese economic communities (e.g., Hamilton and Biggart, 1988). Few research efforts have been granted to the internal administrative arrangements. Therefore, research that focuses on the internal organizations of Chinese family business networks proves to be needed.

Therefore, this research project aims to investigate how the management control styles of Chinese family businesses are influenced by family/interpersonal factors and economic/strategic factors.

III. LITERATURE AND HYPOTHESES

Family Business as A Family Institution

As a family institution, the family firm represents a social system endorsed by law and custom to take care of and to manage its members' needs, such as the need for belonging, affection, intimacy, and sense of identity. Therefore, in addition to providing for the economic security for its members, the family business firm must satisfy deep social and emotional needs. To achieve this, the top management of a family business firm must be able to clearly distinguish family members from non-family members, and to design the control and delegation systems accordingly.

If we view the family business organization as a social network, from the social network and embeddedness perspective, economic actions are embedded in structures of social relations, which form social norms, rules and obligations, further direct the decisions of economic exchanges (Granovetter, 1985). Informal social relations, such as ethnic, regional, religious, educational and family ties, can generate social capital and trustworthiness between actors and among actors, further develop a closed community, i.e. a network (Coleman, 1988). Therefore, within a family organization, the design of management control systems is to facilitate existing personal trust and social capital within the business network.

Similar arguments have been proposed by many studies on Chinese businesses (e.g., Farh, Tsui, Xin & Cheng, 1998). Scholars argue that it is particularly important in Chinese business community to separate the *inner circle* and the *outer circle*. The inner circle is composed of a group of prestigious people, including family members, close relatives, and honorary family members such as a long-serving, loyal managers; while the outer circle are mainly composed of non-family, professional managers. A differentiated level of trustworthiness will be granted to managers belonging to the inner circle versus managers belonging to the outer circle.

Therefore, family membership, trustworthiness of managers, and the founder/entrepreneur's managerial ideology are expected to influence the choice of management control systems within Chinese family business networks.

Hypothesis 1: In a family business

network, family managers will receive more autonomy than professional managers do.

Hypothesis 2: In a family business network, the longer a manager has served with the family business network, the more autonomy is owned by this manager.

Hypothesis 3: A founding entrepreneur will delegate less autonomy to affiliated companies than the second generations do.

Family Business as An Economic Institution

As a business institution, family business firms are under the pressure to follow professionalism and to pursue economic efficiency. The economic rationales thus require family business firms to adopt management control systems that can cope efficiently with task and environmental requirements (Galbraith, 1977; Pfeffer & Salancik, 1978).

With respect to the influence of industrial characteristics, an affiliated company that competes in an industry with high environmental complexity and dynamics needs a more decentralized organization because it needs to deal effectively with high information processing requirements and to react quickly to environmental changes. Conversely, for an affiliated company competing in industries of low levels of complexity, a more centralized control system could be adopted (Govindarajan, 1986).

Similarly, the degree of resource sharing and interdependence among affiliated companies of a family business network also affect the appropriate level of delegation. In a family business network, since different affiliated companies can have different levels of resource sharing and interdependence with other companies, the

appropriate management control systems should differ accordingly. For example, when an affiliated company's level of resource sharing is high, the need for family intervention and central coordination is strong and a more centralized and formal control style is suggested.

Hypothesis 4: In a family business network, the higher the environmental complexity faced by an affiliated company, the more autonomy is owned by this company.

Hypothesis 5: In a family business network, the higher an affiliated company's resource sharing with other companies, the less autonomy is owned by this company.

Hypothesis 6: In a family business network, the more interdependent an affiliated company is with other companies, the less autonomy is owned by this company.

IV. RESEARCH METHODS

Sample and Data

The author check the top 115 business networks listed in the *Business Groups in Taiwan* (China Credit Information Service Limited, CCIS, 1996/97 edition). Those family business networks that have two or more affiliated companies with family general managers were designated as family-managed networks; those business networks that do not have two or more affiliated companies with family general managers were designated as professionally managed networks. Out of the top 115 family business networks in Taiwan, 83 business networks (72%) have two or more family general managers and were recognized as family-managed business networks, with the remaining 32 business networks (28%) being under professional management. These 83 business networks are composed of 817 affiliated

companies, and out of which 349 (43%) are controlled by family general managers.

Data were collected via a questionnaire survey. Of the 258 general managers who received questionnaires, 138 (53%) responded and 122 (47%) responses were usable.

V. EMPIRICAL RESULT

Regression analysis was employed as the main analytical tool to test the hypotheses, with decision-making autonomy of affiliated companies as the dependent variable. Table 1 shows the results. Hypotheses 3, 4, 5 and 6 are strongly supported, while Hypothesis 1 is partly supported. It is also found that the size of business network matters in determining the control style of Chinese family business networks.

VI. DISCUSSION AND EVALUATION

This research aims to empirically examine the internal organizations of family business networks in Taiwan. Based on the concept of institutional overlaps, this research argues that the management of Taiwanese family business networks is simultaneously influenced by two very different sources of factors: family business factors, and economic efficiency factors. Based on data collected from 122 affiliated companies of 28 family business networks in Taiwan, this research found that family business considerations and economic efficiency considerations both play a role in determining the internal organizations of family business networks in Taiwan. Findings of this research project are expected to increase our understandings on the value creation nature of business groups in emerging economies.

VII. REFERENCES

[1] Coleman, J. S. 1988. Social Capital in the

- Creation of Human Capital, *American Journal of Sociology*, 94:S95-S120.
- [2] Farh, J-L., Tsui, A. S., Xin, K. and Cheng, B-S. 1998. The Influence of Relational Demography and Guanxi: The Chinese Cases. *Organization Science*, 9(4): 471-488.
- [3] Galbraith, J., *Organization Design*. Mass: Addison Wesley, 1977.
- [4] Granovetter, M. 1985. Economic Action and Social Structure: The Problem of Embeddedness, *American Journal of Sociology*, 91(3): 481-510.
- [5] Govindarajan, V., 1986. "Decentralization, Strategy and Effectiveness of Strategic Business Units in Multibusiness Organizations", *Academy of Management Review*, 11: 844-856.
- [6] Hamilton, G. G. 1996. *Asian Business Networks*, New York: Walter de Gruyter.
- [7] Hamilton, G. G. and N. W. Biggart 1988. Market, Culture, and Authority: A Comparative Analysis of Management and Organization in the Far East, *American Journal of Sociology*, 94: s52-s94.
- [8] Pfeffer, J. and Salancik, G. R. 1978. *The External Control of Organizations: A Resource Dependence Perspective*, New York: Harper & Row.
- [9] Weidenbaum, M. and Hughes, S. 1996. *The Bamboo Network*. New York : The Free Press.

Table 1: Results of Multiple Regression Analysis (N = 122)

Variables	STRATEGIC	OPERATE	FINANCIAL
Constant	2.129 (.937)	2.419 (.944)	3.482 (1.277)
Family membership	-.162 (.238)	.482 ** (.240)	-.299 (.325)
Seniority of general manager	-.003 (.011)	-.005 (.011)	.001 (.015)
First/Second generation	-.573 *** (.204)	-.196 (.205)	-.699 ** (.278)
Environmental complexity	.200 ** (.084)	.193 ** (.085)	.210 * (.115)
Resource sharing	-.207 ** (.095)	-.112 (.096)	-.316 ** (.129)
Interdependence	-.009 *** (.003)	-.010*** (.003)	-.008 * (.005)
Size of affiliated company	-.018 (.068)	-.024 (.069)	-.054 (.093)
Size of business network	.352 *** (.101)	.358 *** (.102)	.267 * (.138)
R^2	.37	.33	.31
F	5.058	3.528	2.971
<i>Significant F</i>	.000	.001	.005

*: $P < 0.1$; **: $P < 0.05$; ***: $P < 0.01$.