

Requirement of Family Enterprises of Feed and Veterinary Drugs for Improving Professional Manager Mechanism and Recommendations

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Abstract In the development of family enterprises of feed and veterinary drugs in China, there are many problems, such as lack of organic integration of human capital and social human capital. This paper introduced development thread of family enterprises of feed and veterinary drugs in China, analyzed theories and practical development requirement for improving professional manager mechanism, and came up with recommendations including establishing proper employing system, incentive and restraint mechanism, corporate culture, and professional manager market.

Key words Family enterprises of feed and veterinary drugs, Professional manager mechanism, Recommendations

As an essential part of Chinese traditional culture, "family" culture deeply influences family enterprises. Force of families is penetrated into every cell of social body. Such force is also fully manifested in family enterprises of feed and veterinary drugs. In the condition of economic integration, whether such force can still become core competitive power, or whether it will become a major obstacle to their further development, has become a key issue for their sustainable development. Here, it is expected to realize sustainable development of family enterprises of feed and veterinary drugs through improving professional manager mechanism.

1 Development thread of family enterprises of feed and veterinary drugs in China

1.1 Connotation of family enterprises of feed and veterinary drugs Family enterprises of feed and veterinary drugs are generally enterprises engaged in production and processing of feed and drugs necessary in living, aging, disease and death of animal growth and breeding. In specific historical condition, many family enterprises of feed and veterinary drugs in China have financing difficulty. Those enterprises set up a community mainly with family members, classmates, colleagues and neighbors, and accordingly forming predecessors of family enterprises of feed and veterinary drugs. Family enterprises of feed and veterinary drugs are entities established with marriage and blood relationship as link and widely applied in feed and veterinary drugs. Such enterprises also include those enterprises of feed and veterinary drugs founded by pan-family entrepreneurial teams with the aid of study, friendship, and geographical relationship. In China, more than 90% enterpri-

ses of development, production, sales and service of feed and veterinary drugs are family or pan-family enterprises^[1].

1.2 Development thread of family enterprises of feed and veterinary drugs in China With more than 30 years of development since the reform and opening-up, family enterprises of feed and veterinary drugs experienced early stage, growth stage, mature stage and transformation stage. The early stage includes concept, setup and starting stage of family enterprises. At early stage, family enterprises of feed and veterinary drugs sold feed and veterinary drugs mainly through setting up a temporary stall in the street. Through accumulation of original capital, several brothers started to set up a company together. However, they lack cultural management knowledge, so their failure rate is high. In the United States, about 40% such enterprises closed down within one year after establishment and 60% went bankrupt within two years after establishment^[2]. In China, some family enterprises even strived for preferential policies to actively apply bankruptcy within the second or third year. At the growth stage, family enterprises develop more balanced and most of them have set up relatively formal accounting system, purchase system, and sales system. With constant expansion of enterprise scale, more and more family members join their enterprises. At the mature stage, family enterprises have relatively stable organization structure and stable market share, but the possibility of further expansion is not high. In fact, few enterprises will enter this stage. With relatively long time of development, family enterprises of feed and veterinary drugs will enter the transformation (decline) stage. There are mainly two types of transformation: one is family enterprises become listed companies through absorbing a large amount of social capital stock but lose characteristics of family enterprises (such transformation is a kind of euthanasia); the other is family enterprises fail to realize transformation and go bankrupt or close down (this is a kind of painful death). Obviously, more family enterprises will go through painful death.

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2 Urgent necessities of family enterprises of feed and veterinary drugs in China for improving professional manager mechanism

2.1 Theoretical necessities of family enterprises of feed and veterinary drugs for improving professional manager mechanism

The Principal – agent Theory and entrepreneur human-capital capital theory are theoretical basis for family enterprises of feed and veterinary drugs improving professional manager mechanism. The professional manager mechanism is an inevitable product of market economy and it is code of conduct regulating professional managers of family enterprises of feed and veterinary drugs and rules and regulations for professional managers realizing their rights and interests. Through system innovation, it is an inevitable necessity for family operation mode to transform to socialized modern enterprise system. The entrepreneur human-capital capital theory stresses production factor characteristic of entrepreneur ability and provides theoretical basis for enterprises introducing value of professional managers and returns of operators. According to Marshall's hypothesis of neoclassical economics, entrepreneurs are owners of human capital. Different from decreasing trend of returns of other production factors, human capital has increasing return^[3]. In modern enterprise theory, the human capital concept is specific human capital, namely, specific technique and skills, and specific information owned by human. Western property right economist, Williamson, stated that once the property right of human capital is incomplete, entrepreneurs will shut the human capital, then the economic value of human capital will decline or even decrease to zero. According to this, he put forward the viewpoint of entrepreneurs' right of claiming residual value, which is an important basis for remuneration form of professional managers^[4]. Private enterprises in China started in the 1980s and were benefited from market demand and clear property right mechanism^[5]. At early stage, family enterprises of feed and veterinary drugs are similar to many other private enterprises, they complete original accumulation of capital. However, with saturation of market environment and constant expansion of enterprise size, most private enterprises need making breakthrough and increasing development stamina through system innovation and management innovation.

2.2 Practical necessities of family enterprises of feed and veterinary drugs for improving professional manager mechanism

Family size of family enterprises of feed and veterinary drugs has many drawbacks. Development of family enterprises of feed and veterinary drugs has shown that once enterprises get back on the track and their size becomes bigger, the requirement for management will rise. Then, the family management mode with regional blood relationship or family relationship taking place of internal enterprise relationship will become unsuitable. According to a random sampling of several family enterprises of feed and veterinary drugs in Rongchang County of Chongqing Municipality, those enterprises are developed from family enterprises and still have drawbacks of family enterprises. Apparently, many family enterprises of feed and veterinary drugs have set up modern enter-

prise system. In fact, there are following problems: unclear property right and indefinite responsibilities within enterprises; management still staying at the stage of "able person management relying on experience"; labor employment focuses on relatives, which hinders employment of excellent non-family members; original blood relationship is challenged with pursuit of economic benefit, which weakens cohesiveness and creativity of family enterprises. In addition, quality of owners of family enterprises of feed and veterinary drugs is also a problem. Certainly, there are many high quality family enterprises of feed and veterinary drugs. Nevertheless, quality of their owners is not completely mature. Firstly, they are conservative and backward in ideas, for example, they grasp power of management firmly and not dare to let it go. Many family enterprises of feed and veterinary drugs developed after the reform and opening-up through grasping opportunity in the situation that seller market and market rule are not perfect. Facing with success, they became impetuous, felt complacent, and started development blindly. Secondly, they often make arbitrary decisions and overestimate their ability. Consequently, they fail in keen market competition. Finally, although many family enterprises of feed and veterinary drugs have requirement for GMP, they pay little attention to corporate culture, and their encouragement for workers is only material incentive. Such enterprises will not survive for a long time. For this reason, it is difficult for them to make breakthrough in management mode, and more difficult to compete with well-known enterprises, like Pfizer Incorporation.

3 Recommendations for China's family enterprises of feed and veterinary drugs in improving professional manager mechanism

3.1 Establishing people-oriented employment system

Human is the most important asset of enterprises. Human capital includes knowledge and skill. It is the result of human investment. In the transformation of enterprises, human resource is the most important for enterprises. Therefore, family enterprises of feed and veterinary drugs should set up people-oriented employment system, and attach great importance to selection, cultivation and credit of talents. As Marshall stated, the capital with highest value in all capitals is the investment in human^[6]. In management system, family enterprises should establish a complete set of employment system, overcome the nepotism, but appoint people on their merits, to provide system guarantee for bringing into full potential of human to the maximum extent. This is the key and precondition for whether professional managers can be introduced or not. President of New Hope Group, Liu Yonghao, believed that the largest drawback of family enterprises is the failure of social talents to join the management level. This also indicates that decision-making power should be separated from ownership when family enterprises of feed and veterinary drugs develop to certain stage.

3.2 Establishing and improving incentive and restrictive mechanism

Whether favorable position can be obtained in competition depends on the degree of development and utilization of

human resource. Family enterprises should consider incentive, restrictive, cultivation and development of professional managers from value demand of human capital, corporate strategy and competition requirement. According to Maslow's hierarchy of human needs, high level managers also seek respect and self-realization, and other non-economic factors, apart from economic and material benefits. In this situation, family enterprises of feed and veterinary drugs should establish a complete set of effective incentive and restrictive mechanism and take various incentive and restrictive measures to encourage and restrict acts of professional managers, including economic return and non-economic return. For example, remuneration of professional managers not only includes wage, bonus, and on-job consumption, but also includes stock and option as well as respective non-material honor.

3.3 Establishing proper enterprise culture After enterprise management changes to system management from rule by men, with expansion of enterprise size and separation of time and space, enterprises must influence and restrict acts of all staff through corporate culture. Corporate culture is the soul of an enterprise^[7]. Through construction of corporate culture, enterprises can establish widely recognized enterprise value, spirit, and system, so as to form common restriction and incentive for workers from the spirit. As operators of enterprises, professional managers will be incorporated into common corporate value. Professional managers will share the common fate with the enterprise, then it is expected to realize internal control of act of professional managers.

3.4 Establishing professional manager market and operating regulations The professional manager market refers to talent market where enterprises can select proper professional managers through recruitment and bidding in open, fair and just competition condition. This in fact is a selective employment mechanism established by enterprises for selecting professional managers. On the one hand, it provides a system for enterprises selecting and recognizing ability and quality of manager candidates. On the other hand, the authoritative evaluation of qualification of professional managers is the open competition and survival of the fittest. This is favorable for selecting excellent professional managers and reducing moral risk of enterprises. It is recommended to bring into full play competition of entrepreneur, maximally stimulate effort of professional managers, and keep them have crisis awareness, accordingly restrict their acts and make effort to realize enterprise goals and finally realize win-win objective. Professional managers also should improve professional moral awareness to raise moral realm to a higher level. Professional managers should take enterprises as their stage of their undertaking and raise pursuit of personal assets to pursuit of personal undertaking improvement at the same time of pursuing material benefit. Besides, professional managers should actively and positively incorporate themselves into

corporate culture and value concept, cultivate and set up sense of duty, sense of belongingness, and sense of recognition, and keep realization of their personal value consistent with realization of corporate goals.

4 Conclusions

The development of family enterprises of feed and veterinary drugs still has such problems as improper management structure, narrow capital obtaining channel, high centralization of property right, mixed and disorderly human resource management, unclear operating strategies and development model, especially lack of human capital. From employment mechanism, incentive and restrictive mechanism, corporate culture and professional manager market, we analyzed the necessities for family enterprises of feed and veterinary drugs for improving the professional manager mechanism. The professional manager mechanism can provide talent support for further development of family enterprises of feed and veterinary drugs, invigorate family enterprises of feed and veterinary drugs, and realize organic integration of social human capital and family enterprises of feed and veterinary drugs. Therefore, the professional manager mechanism is a feasible path for sustainable development of family enterprises of feed and veterinary drugs. In addition, the development of family enterprises of feed and veterinary drugs will attract more and more professional managers to join family enterprises of feed and veterinary drugs. Both promote each other and form benign cycle. Finally, it will provide larger development space for family enterprises of feed and veterinary drugs, lay solid foundation for overall development of urban and rural areas, and support rural and agricultural development, and support development of China's animal husbandry, or even the world animal husbandry.

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