

Analysis of the Problems and Countermeasures of Family Management in the Home Appliance Industry-Take GOME Electrical Appliances Co., Ltd. for Example

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Abstract

Family business management is a matter of sustainable development of family enterprises, through the study of China's household electrical appliance industry family management and GOME electrical appliances company limited, for example in the analysis of the finds, prevalent in China's household electrical appliance industry family management brain drain seriously limited, access to finance, coordinating internal and interpersonal difficulties and strategy vulnerable to emotional factors such as a series of questions. In turn for China's household electrical appliance industry problems in the family-owned enterprise to present its sustainable development strategy . The ultimate realization of China's home appliance industry, the family business in the transition to the modern enterprise.

Keywords: family business; home appliance industry; management

Mode of operation of the family business is widely present in the world, in the long arduous development process, always occupy an indispensable position in market economic activities. "Family business is the basic bond of kinship, family interests in pursuit of the primary objective to achieve a means to control the power of the family as the basic principle of the first primary in the enterprise organization form of economic organization." [1] However, in reality, "Prosperous but three generations," the phenomenon of the family business is not alarmist. In the appliance industry, the management of the family system plays an important role in the management of private enterprises. Most family businesses lack of energy, lack of talent, slow economic growth. Therefore, based on theoretical thinking and combine relevant knowledge, learn from the successful experience of international brands on such issues, for family management issues Gome analyzed from multiple angles, and made a series of improved family business management level corresponding countermeasures.

1. The Status of Family Management Appliance Industry

Throughout China's current management situation of the family business, especially home appliances business, scientific management methods and tools have become an obstacle to the development of a large family business. How to effectively improve the management level of the family business becomes a worth family business painstaking research.

1.1. Network Appliance Chain Channel Sales Dominate Market

China's domestic retail industry to expand the way through the chain speed is very fast, linked to the development of this aid channel model, has now become an important mode of appliance industry sales. For family-owned businesses, in order to form a chain to expand the market even more common. Gome early in 1998 to determine the development strategy is to Beijing as a base, and then a step by step throughout the country became home appliance chain stores. Gome chain channels and the purchase and sale of the model, has formed its inimitable regional advantages.

1.2. Appliance Sales Push into the Internet, In Order to Seize the Market Price, Puerile

In the 21st century, the Internet is undoubtedly the most promising pioneering sales platform. For home appliance products, selling products in the logistics and distribution network is one of the biggest problems.

However, the Internet economy matures, the various security measures and means are more rational and humane, coupled with continuous improvement and upgrading of distribution systems, the Internet has great potential in this market will not become a household appliance industry for product sales, marketing pioneering dead. Since appliances purchasing decisions are made by a family, a family decision-making process is often through touch, sight to perceive the product, so one of the many channels as appliance sales, the Internet does not replace any other channel. [2]

For Gome, the promotional tools and a variety of online store is through the joint, jointly launched the online sale activities. For faster build their own online store, Gome through the major media outlets continue to publish a variety of similar acquisitions, mergers, holding some of the company's advertising network. Gome has just started at the time, only one in Beijing Zhushikou the tiny door sales outlets. But the Gome is not limited to repeat what the pioneers of old. With the growth performance, the Gome began to just discuss directly with manufacturers, implement underwriting system, eliminating unnecessary middlemen this link. They came up with advertising in the raphe newspaper advertising costs low on the one hand, but also broke the newspaper seam gaps situation, this initiative through the joint advertising initiative to make it out of the traditional form of sit shop operator, but also for Gome laid the foundation for success.

1.3. Try to Sell Production Quotas Mode

Over the years, the family business has been complacent, take a look at the traditional backward mode manufacturers supply sales, and conditions for cooperation in the negotiations, they tend to go through many times to negotiate in order to reach an agreement, and the amount of each purchase are also subject to restrictions. Compared to the company's supermarket chains now, the traditional model of many step, a waste of resources are obviously showing the lacks of competitive extremely. Therefore, Gome through a tender process in practice to find a model of efficient and adapt the characteristics of the supply chain.

1.4. Strategic Expansion Into the Appliance Industry to Develop New Models

As many big companies before entering the European market, thus becoming China's household electrical appliance enterprises to export the main battlefield, but with the sharp drop in demand, many companies have shifted to the domestic market. However, in this large market in the form of some domestic household appliances enterprises began to walk the path of innovation, they have made a lot of effort in market expansion and product performance. That is the business cooperation, joint participation in overseas markets. In contrast, the large network built up through mutually beneficial cooperation strengthens their sense of security.

Grand blueprint for the Gome is to become the country's largest professional appliance chain enterprises, so Gome establishes a long-term strategic partnership with many well-known companies. Its gets and benefits: First, the low wholesale prices; Second, after-sales support for the co-operation of manufacturers, many products and services promised by the manufacturers to help achieve; Third, improve the pricing system. Gome always pay attention to the manufacturer's price movements, each big factory price, the Gome will closely follow the new price, and the rest will take a new price for the sale of goods, to seize the initiative in the consumer, but also makes the rebate policy continuity. Meanwhile, the Gome adopted a flexible management tools, carried out in conjunction with the rule of law and the rule of man.

2. The Appliance Industry Problems in Family Management

Family management model currently in private enterprises still occupy an important position, with a strong vitality, its competitive strength in the market cannot be ignored. Stage Chinese home appliance industry, the family business occupies more than half of private enterprise, which shows the family business and family management can adapt to complex domestic market, other companies do not have the advantage. But the family management is a double-edged sword, it has some advantages, also has many disadvantages.

2.1. Difficult to Get the Best Talent

Enterprises should have a strong vitality, and enduring, an important bottleneck specialization and standardization to break, the family business is no exception, for any business, including the home appliance industry, including speaking, in order to better development, we must absorb the large number of professionals entering the business core management. By constantly open stores in the market to expand the family business is often limited to select management personnel within the family among the staff, you cannot select the best talent in a wider range.

Therefore, companies need to fully understand their real strength to support the multi-faceted talent, but yet it is difficult to show their talents to create a relaxed environment for talent is the primary disadvantage of the family business is located. [3]

After the Gome listed the management and basic pre-listing does not change, only Chen is "outsiders". Huang Guangyu by deciding the fate of up control management personnel management, which makes the hands of senior management is too bound to feel depressed psychologically difficult to really develop their skills. On the one hand, managers unduly constrained supervision. Since there is no adequate free play space, the manager can only step by step implementation of major shareholders mechanical strategy that they do not have the incentive to innovate, while enthusiasm for work, the degree of enthusiasm, effort has also been affected. On the other hand, is not enough incentive for managers. Through the implementation of equity incentive managers to reduce agency risk, but Huang did not pay attention.

2.2. The Limited Financing Channels, the Impact of the Sales Mode Selection

The nature of the family business determines its access to capital more narrowly, coupled with the strong expansion of the Internet platform and the network-based sales generally take the price war. For the appliance industry, the relatively high cost of the product, and therefore need a lot of capital investment. However, due to family business employing external closed strong, difficult to grasp Gains and losses outside investors and real operations of the actual form, in this closed condition, outside investors is not the effect of investment, which will result in limited sources of funding, financing blocked.

Hong Kong's system for monitoring senior management of listed companies in Hong Kong and its interior is more perfect, Gome is listed in Hong Kong, will be subject to strict regulation. In this mechanism, the company once appeared difficult operating areas, the shareholders will have a "vote with their feet" tendencies, when the company was acquired in order to avoid bankruptcy or have had to choose to ease the introduction of investment or borrowing difficulties, investors will be asked to join bound control, leaving the internal governance structure of the company in return generate change. After the suspects were arrested Huang Guangyu, Gome and expenditure of funds on the company faced a major crisis, the stock plummeted phenomenon, coupled with the need to face the issue of convertible bonds maturing before, the Gome suddenly faced difficulties operating conditions funds turning difficult. In this situation, on behalf of the chairman Chen Xiao had to go against the original wishes of Huang, changing the internal governance structure of Gome, entered into a financing agreement with Bain Capital to alleviate the crisis.

2.3. The Coordination of Internal and Interpersonal Difficulties Associated

As the appliance industry is currently mainly rely on prices to highlight the advantages. After entering the Internet sales market, the price is to occupy an important position. When price competition, the enterprise within the family members may be made some decides by personal relationships. Appliance industry family business inclusion complex personal feelings, the internal formation of various interest groups, the appliance business and family unity, which makes business leaders in dealing with the various stakeholders in a more complicated situation even a difficult choice.

Under the conditions of separation of ownership, Gome's real power lies in the management board, management hand, Huang's family could not be directly involved in the operation and management of the Gome, because the interests of both business and other aspects of the controversy and asymmetric information produced a variety of internal problems. Chen led the Gome to the Board at the time of introduction of the "Bain Capital" relieve the pressure the Gome operations, in order to protect their rights in the Gome, they and the "Bain Capital" will give the Gome signed a default result in major economic loss agreement. Safeguards include: Chairman of the Board of Directors Chen term for at least three years, Chen, Wang Junzhou, Wei Qiuli three executive directors, two were removed from the breach of contract. In addition, the "battle for control of the Gome" to make the Gome Board of five executive directors, three non-executive directors and Huang antagonism, the state temporarily in a conspiracy of silence. As the Huang in the Gome alongside allies inside the lack of no interest spokesperson, once threatened the family shareholding diluted, greatly increasing the risk of their own interests to be plundered.

2.4. Strategic Choice Vulnerable Emotional Factors, Adjustment Difficulties

Household electrical appliance enterprises in the process of negotiating strategic cooperation, but sometimes cannot help but be somewhat selfish tendencies, and since the beginning of the special nature of the appliance industry when family members are often interested in entrepreneurial enterprises involved in the main business have a special feeling, even if the strategy proposed to adjust the direction of the leader, but also vulnerable to family members or others involved in entrepreneurial ownership opposition members operate. Due to changes in the environment, upgrading members, would lead to internal discord and even maneuver generation potential tug of war, led to the company becoming a key factor behind the loss.

Huang Guangyu fourteen years in prison, the body is no freedom, thousands of miles away is difficult to strategizing. In order to get the board to support the Gome, although he promised equity incentive plan will be implemented and snatch back the initiative in the market, but it's men who do not buy it, and before we can see the hands of the generals Huang is a conflict of interest, so even if Huang wins, the management would not support. Defeat in the general election, said Huang family to 347 non-listed stores will recover, but "the Gome" trademark is also likely to be recovered, this time the "Gome" will appear split. So the future is likely to occur, "This country the Gome" with "He is the Gome" fight the phenomenon of price competition within the market. Gome endless injuries will be its biggest fatal wound.

3. To Improve Family Management Strategies Appliance Industry

For a series of problems family businesses lack of talent, financing constraints, and complex internal relations, combined with a number of successful family-owned foreign enterprise experience, proposed to improve family management issues appliance industry some strategies.

3.1. Optimize the Talent Mechanism to Improve the Quality of Talent, Work Incentives

Enterprise managers hold the daily management of the business reins, which greatly affected the level of decision-making capacity of the future development of the company. Currently, listed family business managers low average education level, family business "cronyism" talent mechanism is not conducive to long-term development of enterprises, should be strongly family absorb external outstanding corporate management personnel, in order to improve the overall prime talent. Take work incentives, managers can be reasonably allocated to the manager's job, to be incentives for managers, thus improving managers are working enthusiasm. [4]

For the Gome, in this regard, it should absorb a lot of talented people outside the family, as well as internal staff incentives, put the right people in the right position, mining each person's full potential.

3.2. The Optimization of the Ownership Structure, Expand Financing Channels, Diversified Sales Model

Rule-based family business growth and development, has absolute control over the majority of family businesses, ownership, separation of ownership and low degree, nearly 50% of family business owned and controlled enterprises absolutely. In the early days, the odd small size of the company, and thus a higher efficiency patriarchal personal decision, but with the increasing scale, coupled with the companies listed after the factors involved in the decision-making will be more complicated if individual decisions capacity is not comprehensive enough, not comprehensive enough to consider the issue, which would greatly increase the risk of corporate decision-making, loss of benefits may give the company and shareholders. [5] Therefore, the shareholding structure of the family business can be optimized through internal and external channels, so that family members controlling stake in a suitable range stake. Appropriate options to executives dispersed non-family members, the implementation of employee stock ownership plan, not only to optimize the shareholding structure of the family business, which can mobilize the enthusiasm of employees, promote the development of enterprises.

The Gome can properly open your own mind, try to reuse the so-called "outsiders", by optimizing the shareholding structure appropriate to reduce stake in what family members should be willing to put the power of non-executive members of the family, while employee Stock Ownership Plan implemented within the scope of, and fully mobilize the enthusiasm of the staff.

3.3. Improve the Binding Mechanism, Attention to the Relationship of Trust and Cooperation

As a family business, both built on the basis of family affection, but also has a management company's responsibility.

Business operations are run based on rational, more is based on the market situation and the objective laws; rather simple but it is more focused on family and personal feelings of kinship, colors reflect more private. [6] In order to coordinate because of the conflict of interest caused by a series of interpersonal problems, family businesses need for effective oversight, establish a sound system. The cohesion of the staff to complete the task of autonomous driving force, is the catalyst that is to communicate and share knowledge among employees basic guarantee. Family enterprises should establish a scientific decision-making body, the introduction of a variety of professionals, each for its own affairs, and based on mutual trust. Family members should be highly trusted non-family members within the enterprise management personnel, fully authorized to innovation and the development of its ample space.

In this respect, the Gome should clear the air, no matter who is in the hands of the future power falls, the result is that the development of any business leaders are reluctant to see the destruction in their hands. To fully trust their subordinates, talent is their own choice, trust enough for them, they will feel that their responsibility is heavy, will dutifully. Treat lower ranks above should learn tolerance, to allow their staff to make mistakes, error correction capability would mean upgrading.

3.4. A Rational Set of Corporate Strategic Objectives, and Combined with Personal Development Goals

Corporate strategic objectives is a lighthouse, is the core of enterprise cohesion. Business strategy is not merely a reflection of a personal desire, should always consistent and long-term development goals. Must have principles on personal relationships within the family. To establish and improve various corporate charter, principles, rules and other regulations, the formation of institutional constraints, and be no exception, in order to improve efficiency, promote the overall development of enterprises.

The Gome should be a rational view of the so-called "war to seize power," the overall situation, not because of internal discord bigger opponents drilled loopholes. In a rational set strategic goals, so that employees can safely participate in some of the goals of development, in order to improve the level of employee recognition grand blueprint for the development of the company's future goals and greatly enhance employee enthusiasm and motivation to complete the task themselves.

4. Conclusions

Appliances business in the end is to uphold traditional family management mode, or select any other management methods, there has been a wide variety of theorists viewpoint, enterprises have the choice is ambiguous. Innovative family business journey home appliance industry is bound to be a long, strongly against phenomena such as control of Gome Huang Guangyu, the founder of the family and other interests are threatened when, after insiders had to change, and control issues facing and so on, so this requires government departments and other regulatory agencies should play a flexible role in promoting strict supervision in the external governance, while the company's internal governance process, the minority shareholders and other stakeholders should also be actively involved, work together for the same objective advice. Family business in the end the choice of management, should consider various factors.

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