

Capitalism Against Capitalism

Family Business Management

Case One

Kikkoman





Family business react fast in the market, this is one of the conditions to survive in the two models.

Family firm worldwide:

- **Average: 70-80 percent of all companies, about 50 percent of GDP**
- **37 percent of Fortune 500 companies are family firms**
- **US: 70 percent, but only about 15 percent also controlled and managed by families, and 60 percent of GDP**
- **Middle East: 75 percent controlled by about 5000 business families**
- **Brazil: 90 percent family**
- **...continued...and what about China?**

Definition:

- **Family Business constitutes world's oldest and most dominant form of business organization.**
- **Family Businesses range from small and medium sized companies to large conglomerates that operate in multiple industries and countries.**

Definition of Family Business: Definition Zellweger:

A family business refers to a company where the voting majority is in the hands of the controlling family; including the founder(s) who intend to pass the business on to their descendants.





Percentage of Family Business

Depending on definition applied

- Simple majority of ownership 81%
- Perception family business 79%
- Perception + simple majority 64%
- Perception + simple majority + 1 family manager 62%
- Perception + simple majority + >50% of management family 33%
- Perception + simple majority + 2. generation + at least 1 family manager 29%
- Perception + simple majority + 2. generation + >50% of management family 15%

Paul Westhead; Marc Cowling 1998: "Family firm research: the need for a methodological rethink" **ETP**.



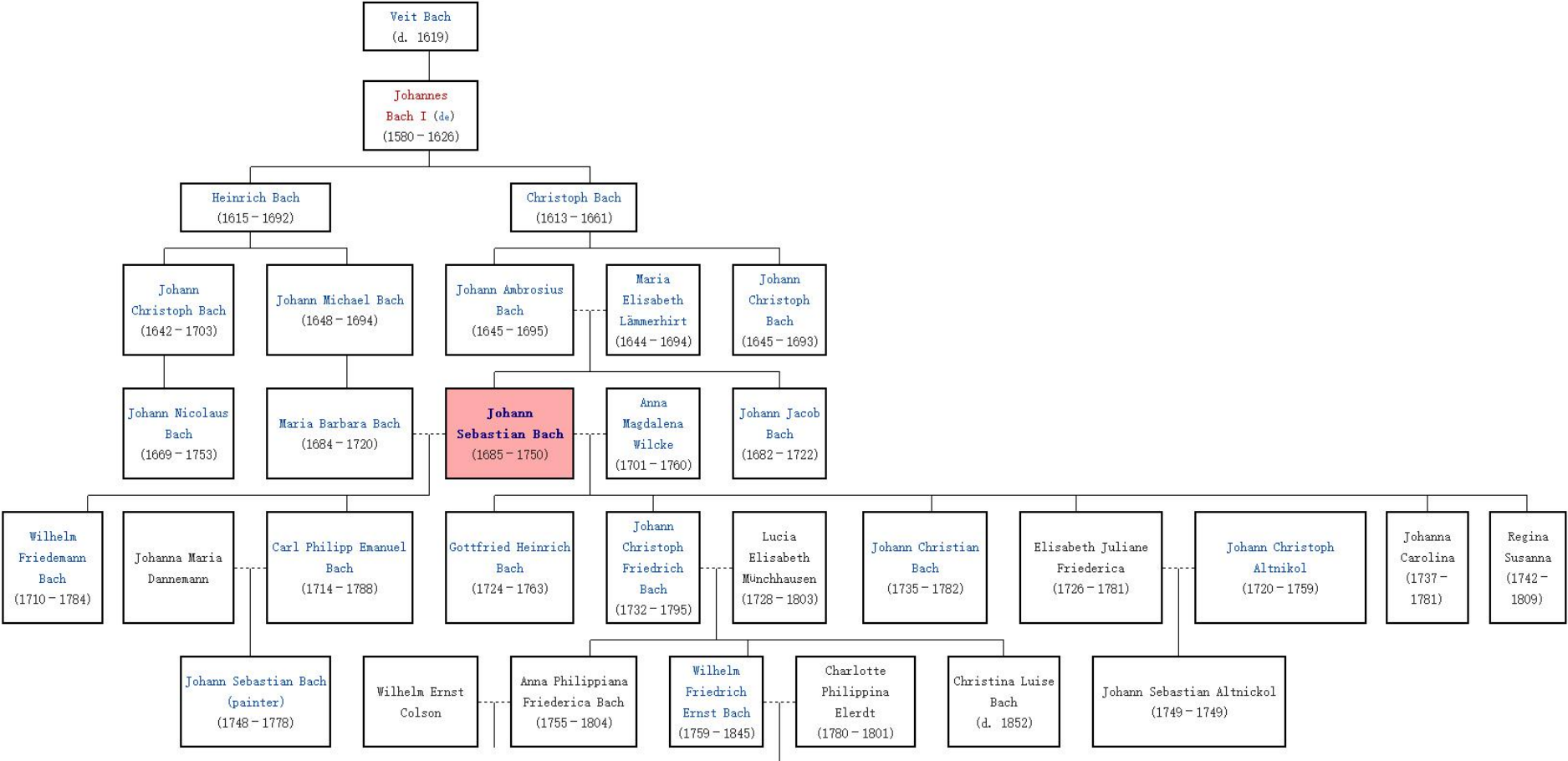
Definition of Family Business

A family business is an organization that

- has an open system producing goods and/or offering services;
- is influenced by a group of persons who are related by blood and/or marriage
- is owned by the family to the extent that members can exert relevant influence on the development of the business
- is controlled by the family members and
- has at least one active family member on the management board.

Is this a family business?

- His son **Johannes Bach I** (de) (c. 1580 - 1626) "*der Spielmann*" (lit. "the player"), was the first professional musician of the family. "At first took up the trade of baker, but having a particular bent for music" he became a piper.
- His second grandson **Christoph** (1613-1661) was an instrumentalist.
- His first great-grandson **Johann Ambrosius** was a violinist, and the father of Johann Sebastian Bach.

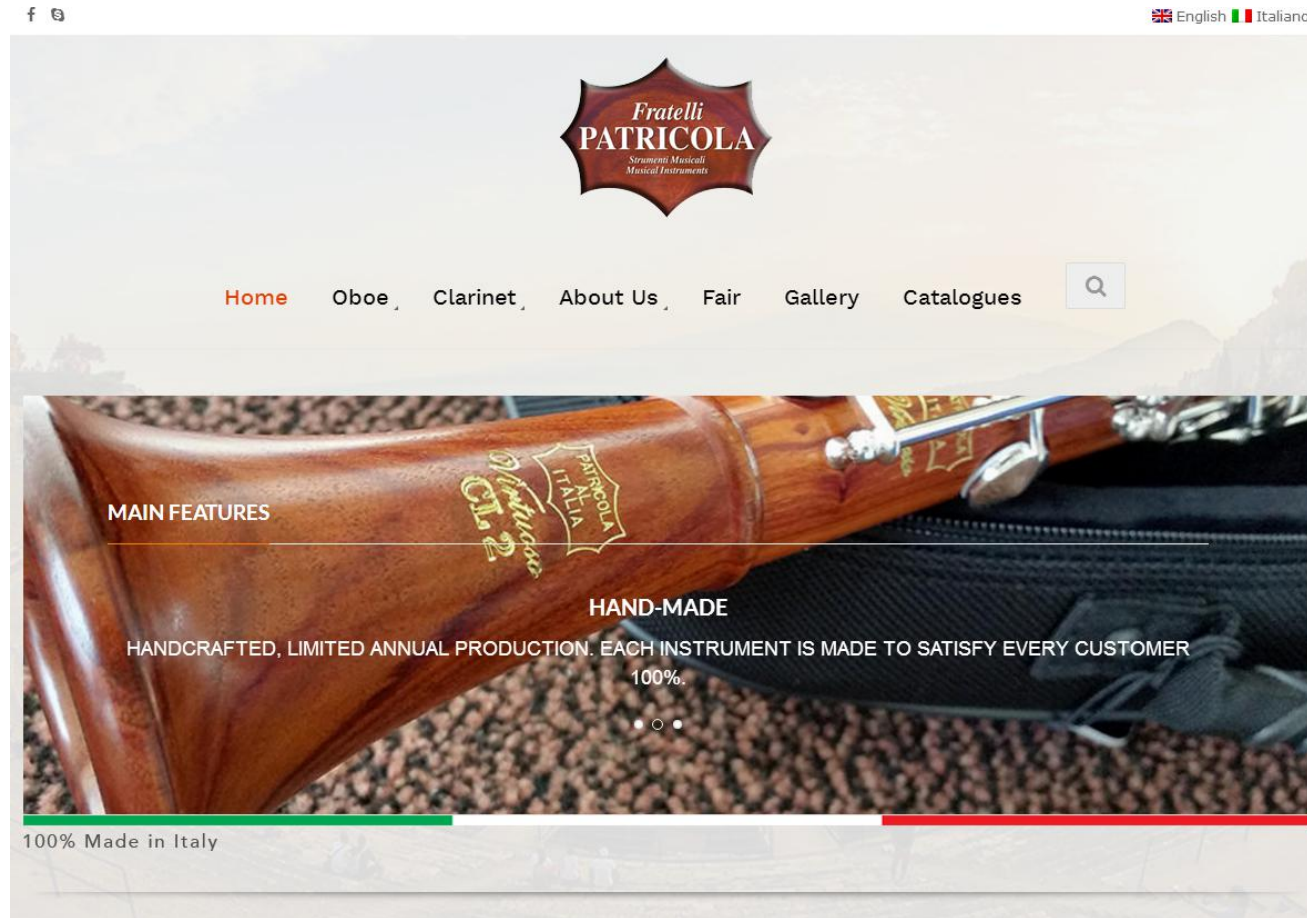


Johann Sebastian Bach and his sons Carl Philipp Emanuel, Johann Christian, Wilhelm Friedemann, and Johann Christoph Friedrich

巴赫家族是一个人才兴旺的音乐家族,这个家族从十六世纪中叶就开始出现音乐家,一直延续到十九世纪末,三百多年中共出现了五十二位音乐家。约翰·塞巴斯蒂安·巴赫的祖父就是一位音乐家,他的父亲也是一位音乐家,他自幼生活在良好的音乐环境中。他的哥哥(约翰·克里斯多夫·巴赫)也是一名出色的管风琴手。他师从当时德国的音乐大师帕赫贝尔,并教巴赫(J. S. 巴赫)学习音乐(算起来,帕赫贝尔是巴赫的师祖)。巴赫二十二岁时与其表妹玛利亚·芭芭拉结婚,共生下了七个孩子;玛利亚去世后,巴赫同女歌唱家安娜·玛格达蕾娜结婚,又生下十三个孩子。巴赫的子女共有十人长大成人,其中有不少继承父业,成为很有影响的音乐家。他的次子卡尔·菲力普·巴赫(C. P. E. Bach)长期居住于汉堡,被称为“汉堡巴赫”或“柏林巴赫”;第十一个儿子约翰·克里斯蒂安·巴赫(J. C. Bach)长期居住于伦敦,被称为“伦敦巴赫”,他们在音乐史上都很有地位,对海顿、贝多芬等都有直接的影响。巴赫为第二任妻子安娜·玛格达蕾娜创作了两套音乐手稿,称为《安娜·玛格达蕾娜·巴赫的笔记簿》(Notebook for Anna Magdalena Bach),分别编定于1722年和1725年。其中后者规模更大也更为著名,内容包括巴赫、巴赫的家人以及当时其他一些音乐家所作的大量小步舞曲、序曲、进行曲、咏叹调等等。约翰·塞巴斯蒂安·巴赫

(Johann Sebastian Bach)简介约翰·塞巴斯蒂安·巴赫(Johann Sebastian Bach)(1685~1750),德国著名的作曲家、管风琴及羽管键琴家,虽然终身未出国门,但却是将西欧不同民族的音乐风格浑然融为一体的开山大师。他的长兄师从于意大利老师,这让巴赫充分接触了意大利与南德的键盘音乐风格;而在他的音乐创作中,他还研究了法国的古钢琴音乐,意大利的弦乐音乐。可以说巴赫萃集了意大利、法国和德国传统音乐中的精华,曲尽其妙,珠联璧合,天衣无缝,对后来将近三百年整个德国音乐文化乃至世界音乐文化产生了深远的影响。巴赫生于在德国图林根的一个美丽的小镇——爱森纳赫。巴赫九岁丧母,十岁成了孤儿。由于嗓音美妙,经济拮据的他在少年时期靠奖学金进了在吕讷堡的圣·米歇尔学校。1702年他从圣·米歇尔学校毕业,翌年在一家室内乐队当一名小提琴手。在随后的二十年中,他干过许多行当。巴赫在一生中主要是以一位卓越的风琴家而闻名,虽然他还是一位作曲家、教师以及乐队指挥。1723年巴赫三十八岁时开始在莱比锡的圣·托马斯教堂任歌咏班领唱,他在余生的二十七年中一直担任此角。

Is this a family business?---Bassoon Producer



意大利PATRICOLA帕切克拉手工单簧管双簧管工厂

FRATELLI PATRICOLA

FOUNDER: since 1976 by Francesco, Pietro & Biagio Patricola.

1930

Around the year 1930 in our country there was a musical instruments factory located in our village, where different artisans worked (in that period this job was made almost all by hand).

At the end of the 2nd World War (1945) this factory was closed and the artisans started to work for some other Italian firms

1960

From one of these artisans around the beginning of the 60's we (Francesco, Pietro, Biagino) started to learn this job and in the 1976 we founded our company.

We design and manufacture all of our lines and we are constantly in contact with customers so we can test and improve our instruments continuously.

Our wood is naturally seasoned for 11/13 years without the aid of any machine, because we believe that this method (always used in the past) is the best and irreplaceable.



Our family

Today our family has increased with the arrival from few years of other members of the family "Patricola" for give continuity to our tradition and excellence, they are Angelo, Claudio and Salvatore, the 2nd Patricola generation.

Moreover we also have the help from two new "purchases" that are not from Patricola family: Sara and Davide and Mattia.

We strive continuously to try to satisfy all our customers. It is possible to see all phases of our work coming to visit us in our factory.

Patricola Brothers







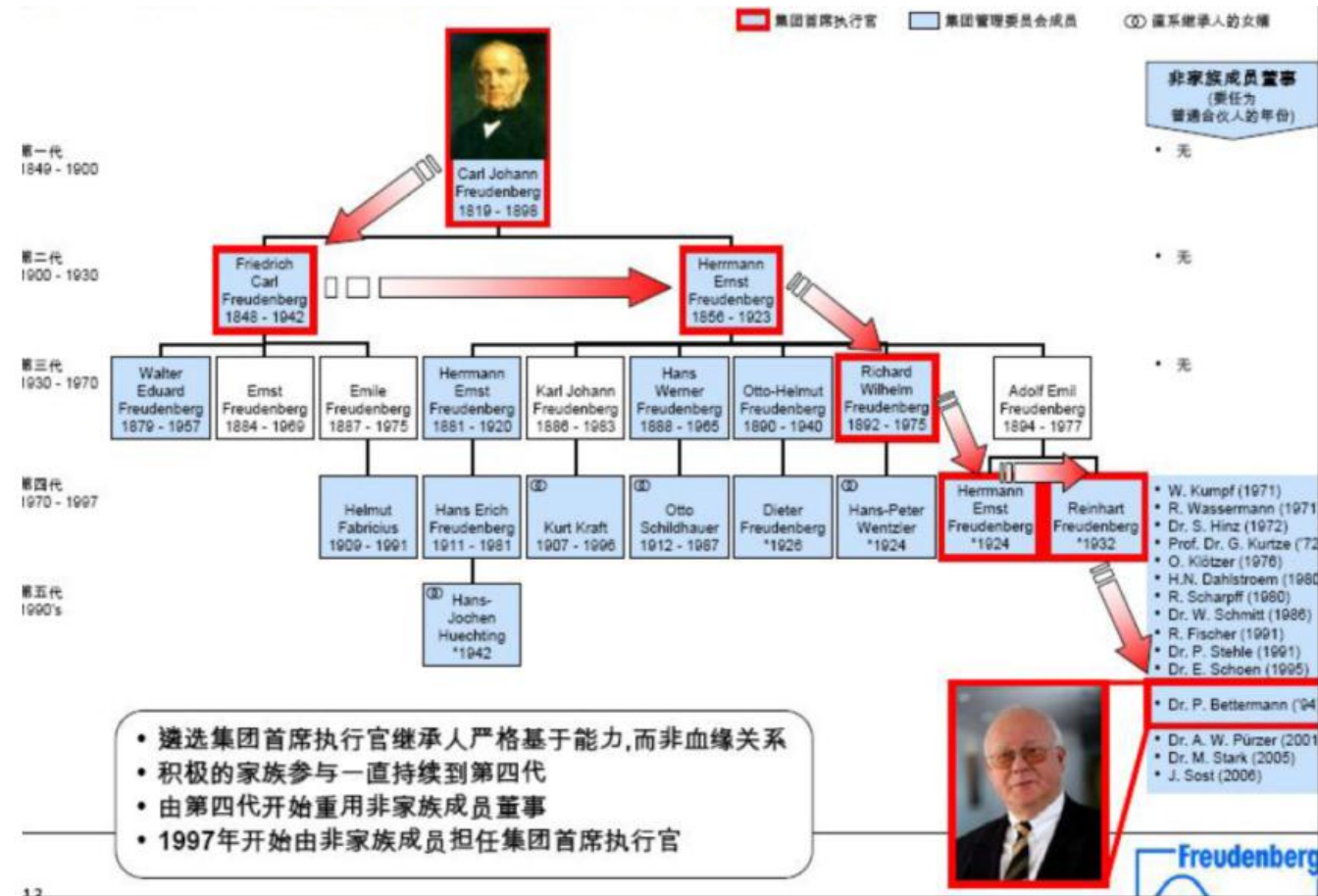
FREUDENBERG

INNOVATING TOGETHER

Is this a family business?

CEO

board of directors & supervisory board



voting majority?



About Us



Stakeholders

| Basic Approach

Stakeholders refer to groups that have a relationship with the company and affect or are affected by the activities that the company carries out. The Kikkoman Group makes efforts to fulfill responsibilities to stakeholders, including customers, employees, shareholders and investors, suppliers, and local communities.

Customers

In addition to providing safe, reliable and high-quality products, we utilize feedback from customers in our initiatives to improve customer satisfaction.

Shareholders and investors

In addition to enhancing transparency in management through timely and appropriate disclosure of information, we strive to secure profit through sustainable growth and distribute profits appropriately.

Local communities

We carry out activities to contribute to local communities in the fields of “food and health.” These activities include community-based charity programs and efforts to uphold and develop traditional food cultures.

Employees

The Group respects the diversity of employees and supporting their capacity-building as well as creating safe, comfortable workplaces. We also build labor-management relations based on mutual trust and respect.

Suppliers

We strive to observe fair business practices and develop good working partnerships with suppliers through communication.

Some Cases of Environmental Preservation Activities

Preventing Global Warming

**Reducing and Recycling of
Waste and Byproducts**

**Preserving the Water
Environment**

**Promoting Environmental
Management System**

**Promoting Environmental
Communication**

**Kikkoman Group's Worldwide
Activities**

**Improving Containers and
Packaging**

At that time, the company was registered with three major soy sauce families. Among them, when one family splited up later, **they divided a total of six families**, that is, "one divided into six." in addition **to the two major families**, in a hundred years, there were eight branches of the family that managed the kikkoman enterprise. Japanese scholars call it **"eight schools of common governance"**.

Since the founding of the company in 1917, there are total of **13 generation**. Six of the founding families, selected eight members to represent the family .

However,**president** must be elected by competition, may be one of eight, and may be **an outsider**, depending on who is appropriate. In addition, if every member of the family enter the company, should **start from the ordinary sales person**. They also stipulate that sending one person from each generation to the company does not necessarily mean that they are directors of the company.

► Management Philosophy



Message from the
Management



Management Principles and
Business Fields



Corporate Governance



Global Vision 2030

Corporate Governance Framework

Directors and Audit & Supervisory Board Members

Honorary Chief Executive Officer
and Chairman of the Board of
Directors
Yuzaburo Mogi

President
Noriaki Horikiri*

Directors

Koichi Yamazaki*
Masanao Shimada
Shozaburo Nakano
Kazuo Shimizu
Osamu Mogi
Asahi Matsuyama

Toshihiko Fukui**
Mamoru Ozaki**
Takeo Inokuchi**
Masako Iino**

* Representative Director

** Outside Director

Audit & Supervisory Board Members

Takashi Ozawa
Koichi Mori
Motohiko Kogo***
Toru Kajikawa***

*** Outside Audit & Supervisory Board
Member

Executives

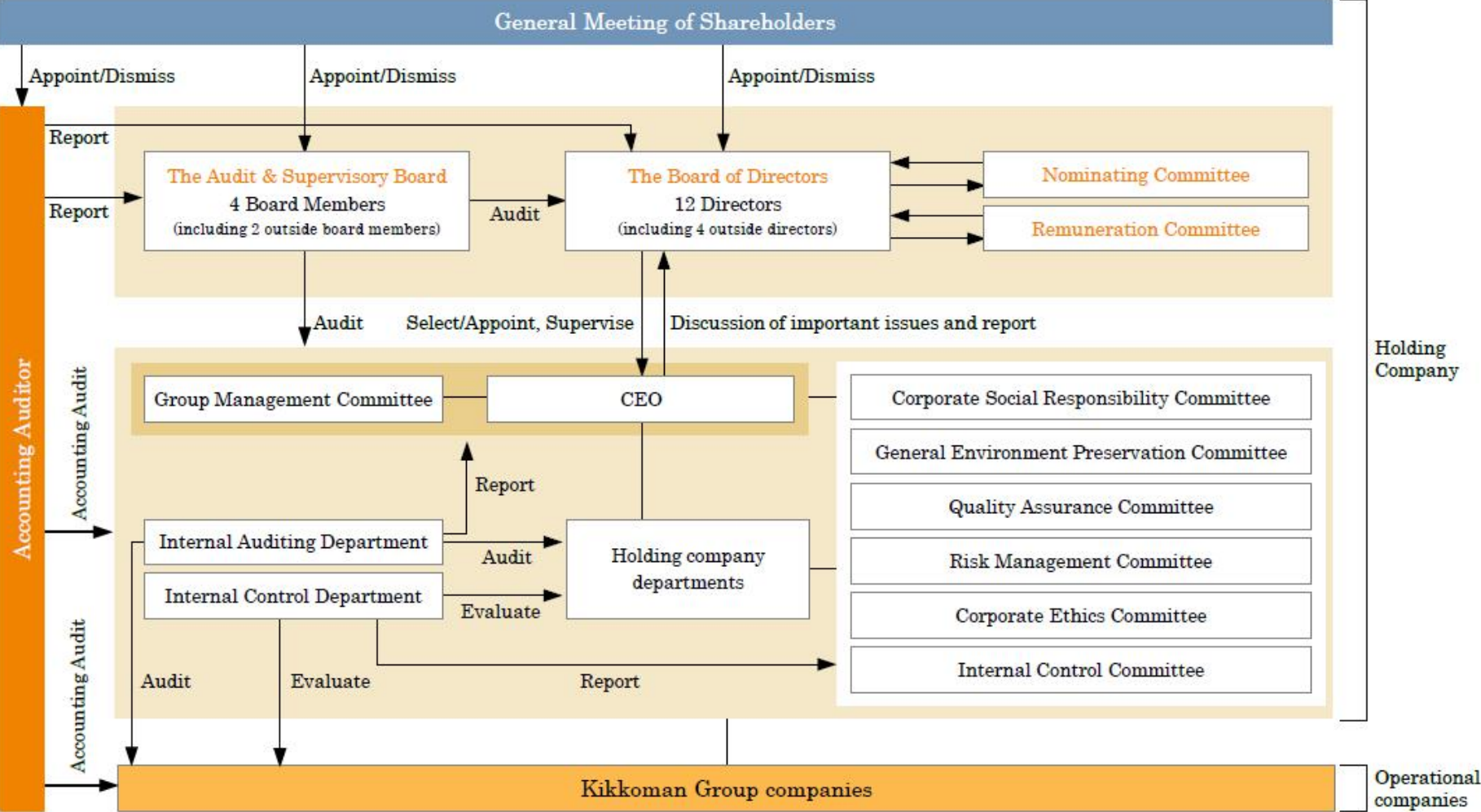
	Directors	Audit & Supervisory Board Members
Number	12	4
Outside appointments	4	2
Term of office	1 year	4 years

* The Company has submitted independent director and auditor notifications to the Tokyo Stock Exchange for all its outside directors and outside audit & supervisory board members.

Nominating Committee and Remuneration Committee

	Composition	Role
Nominating Committee	6 members (4 outside directors, 2 directors) Committee chaired by an outside director	Recommends candidates for director, audit & supervisory board member and corporate officer posts to the Board of Directors
Remuneration Committee	6 members (4 outside directors, 2 directors) Committee chaired by an outside director	Develops remuneration proposals for directors, audit & supervisory board members and corporate officers

The Corporate Governance System
(As of June 26, 2018)



CDP and CCP system ensure the channel of promotion from employee to BD.

The Human Resource Management System (Kikkoman)



from “insider” to “outsider”

Flexible work arrangements (Kikkoman)

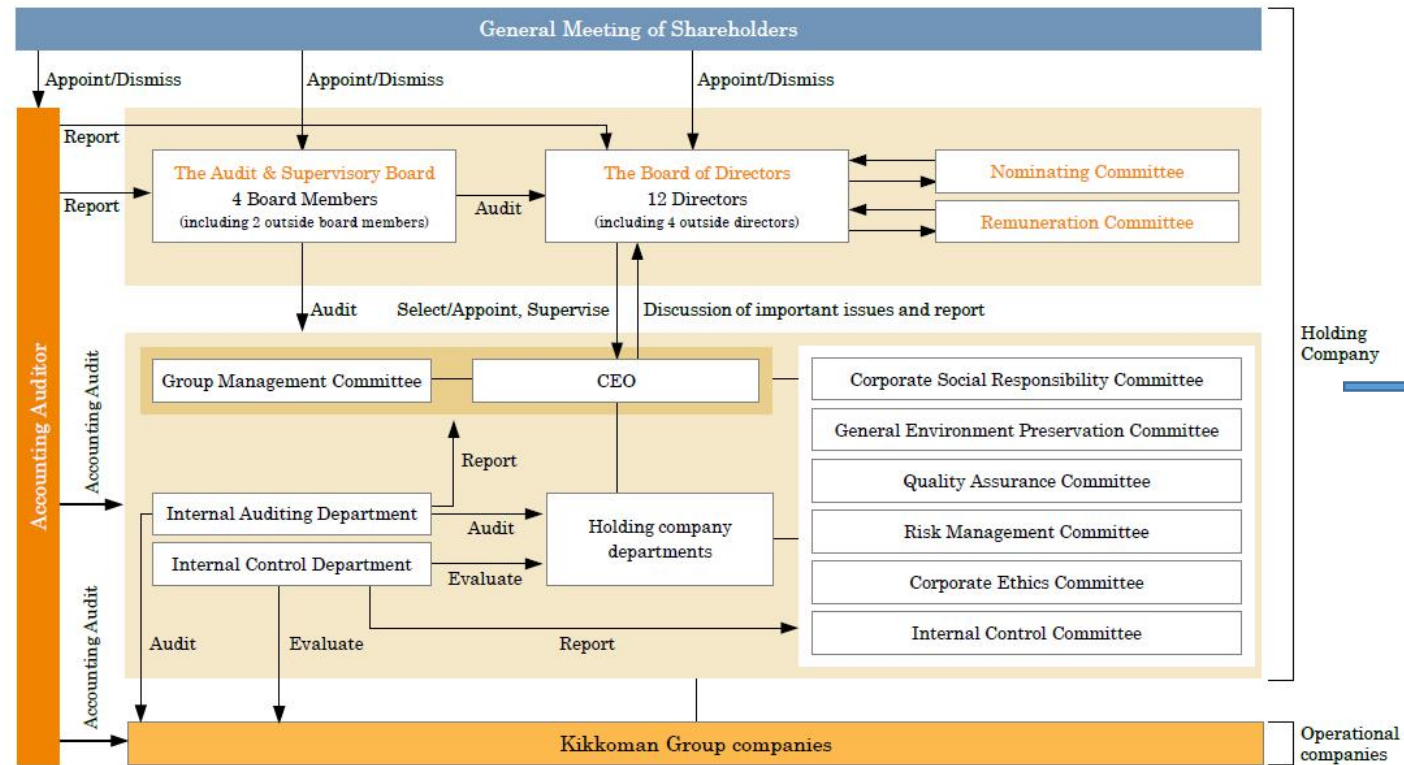
Work Arrangements	Description
Childcare leave (since 1981)	<ul style="list-style-type: none">• Can be taken from the time of birth of a child until the first April 30 after the child attains the age of 18 months. One extension and one reduction of leave period are permitted.• (Short-term childcare leave) Up to one week of paid time can be taken during the first eight weeks following birth. *Only male employees are eligible for this program.
Shorter work hours for childcare (since 1996)	<ul style="list-style-type: none">• An employee can take up to two reductions in regular work hours totaling a maximum of two hours daily from the time of conception until the child enters the fourth grade.
Morning sickness leave (since 2000)	<ul style="list-style-type: none">• Up to 15 days can be taken during pregnancy.
Child nursing care leave (since 2003)	<ul style="list-style-type: none">• Up to 5 days per year per child can be taken until the child in question reaches fourth grade.
Family care leave (since 1978)	<ul style="list-style-type: none">• Up to 2 years can be taken at any interval.
Shorter work hours for family care (since 1998)	<ul style="list-style-type: none">• An employee can take up to two reductions in regular work hours totaling a maximum of two hours daily in one or more 1-month blocks for a total period of up to 1 year.
Nursing care leave (since 2010)	<ul style="list-style-type: none">• Five days of nursing care leave can be taken per sick or injured family member requiring care per year.
Communication with employees on leave	<ul style="list-style-type: none">• Updates on company and workplace information are communicated to employees on leave via newsletters and emails so that they will not feel left out.
Flextime plan, staggered work hours, use of Shinkansen bullet trains for commuting	<ul style="list-style-type: none">• Offering a variety of work arrangement options to meet employees' needs.

Frederick Herzberg - Motivational theory

Normal employee becomes to be shareholder, and even enter the board of director.

The Corporate Governance System
(As of June 26, 2018)

outside director can be
selected internally



Social Aspects

- ▶ For Our Employees
- ▶ Working with Suppliers
- ▶ The Kikkoman General Hospital

Principal-agent Theory

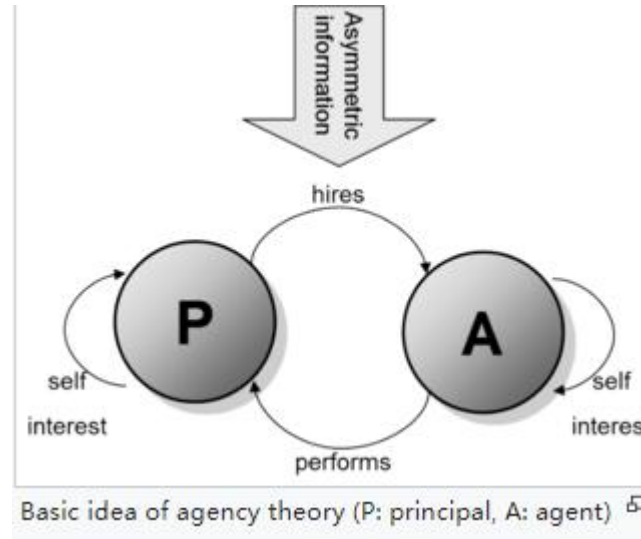
Incentive Theory

1. Principal-agent Theory 委托—代理理论
2. Maslows hierarchy of needs 马斯洛需要层次理论
3. Motivational theory 激励保健理论
4. 公平理论
5. 综合理论

1. 委托-代理理论 (Mirrless-Holmstrom)

- Mirrless: 在法律上, 当A授权B代表A从事某种活动时候, 委托代理关系就产生了, A是委托人, B是代理人
- **Principal-agent Theory**
- **The principal-agent problem, in political science and economics, (also known as agency dilemma or the agency problem) occurs when one person or entity (the "agent") is able to make decisions and/or take actions on behalf of, or that impact, another person or entity: the "principal". This dilemma exists in circumstances where agents are motivated to act in their own best interests, which are contrary to those of their principals(disadvantage), and is an example of moral hazard.**

Principal-agent Theory



$$w = a + b(e + x + gy)$$

$$\text{wage} = (\text{base salary}) + (\text{incentives}) \cdot ((\text{unobserved}) \text{ effort} + ((\text{unobserved}) \text{ effects}) + (\text{weight } Y)(\text{observed exogenous effects}))$$

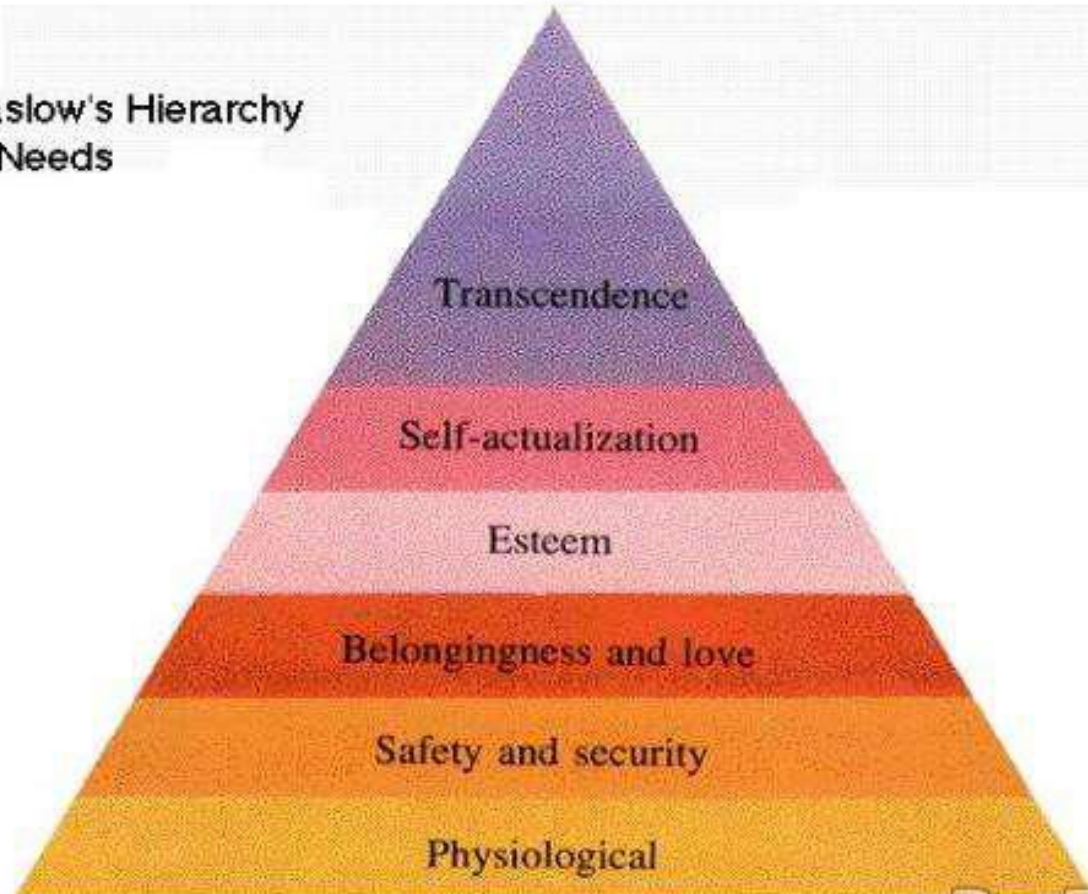
where w (wage) is equal to a (the base salary) plus b (the intensity of incentives provided to the employee) times the sum of three terms: e (unobserved employee effort) plus x (unobserved exogenous effects on outcomes) plus the product of g (the weight given to observed exogenous effects on outcomes) and y (observed exogenous effects on outcomes). b is the slope of the relationship between compensation and outcomes.

2. 马斯洛需要层次理论

Maslow's hierarchy of needs

Brown & Benchmark Introductory Psychology Electronic Image Bank copyright © 1995 Times Mirror Higher Education Group, Inc.

Maslow's Hierarchy
of Needs



Maslow's hierarchy of needs

- Maslow's hierarchy of needs is a theory in psychology proposed by Abraham Maslow in his 1943 paper "A Theory of Human Motivation" in Psychological Review. Maslow subsequently extended the idea to include his observations of humans' innate curiosity. His theories parallel many other theories of human developmental psychology, some of which focus on describing the stages of growth in humans. He then decided to create a classification system which reflected the universal needs of society as its base and then proceeding to more acquired emotions. Maslow's hierarchy of needs is used to study how humans partake in behavioral motivation intrinsically. Maslow used the terms "physiological," "safety," "belonging and love," "esteem," and "self-actualization" to describe the pattern through which human motivations generally move. This means that in order for motivation to occur at the next level, each level must be satisfied within the individual themselves. Furthermore, this theory is a key foundation in understanding how drive and motivation are correlated when discussing human behavior. Each of these individual levels contains a certain amount of internal sensation that must be met in order for an individual to complete their hierarchy. The goal of Maslow's Theory is to attain the fifth level or stage: self-actualization.
- Maslow's theory was fully expressed in his 1954 book Motivation and Personality. The hierarchy remains a very popular framework in sociology research, management training and secondary and higher psychology instruction. Maslow's classification hierarchy has been revised over time. As we have discussed, the original hierarchy states that a lower level must be completely satisfied and fulfilled before moving onto a higher pursuit. However, today scholars prefer to think of these levels as continuously overlapping each other. This means that the lower levels may take precedent back over the other levels at any point in time (disadvantage).

3. 赫茨伯格的激励保健理论

Frederick Herzberg - Motivational theory

Frederick Herzberg (1923-2000), clinical psychologist and pioneer of 'job enrichment', is regarded as one of the great original thinkers in management and motivational theory.

Main Theory and Significance

Herzberg was the first to show that satisfaction and dissatisfaction at work nearly always arose from different factors, and were not simply opposing reactions to the same factors, as had always previously been believed.

Two-factor theory distinguishes between:

Motivators (e.g. challenging work, recognition for one's achievement, responsibility, opportunity to do something meaningful, involvement in decision making, sense of importance to an organization) that give positive satisfaction, arising from intrinsic conditions of the job itself, such as recognition, achievement, or personal growth, and

Hygiene factors (e.g. status, job security, salary, fringe benefits, work conditions, good pay, paid insurance, vacations) that do not give positive satisfaction or lead to higher motivation, though dissatisfaction results from their absence. The term "hygiene" is used in the sense that these are maintenance factors. These are extrinsic to the work itself, and include aspects such as company policies, supervisory practices, or wages/salary. Herzberg often referred to hygiene factors as "KITA" factors, which is an acronym for "kick in the ass", the process of providing incentives or threat of punishment to make someone do something.

赫茨伯格的“双因素理论”即激励—保健理论（Motivation-Hygiene Theory），是由美国心理学家弗雷德里克·赫兹伯格于20世纪50年代后期提出的。该理论认为，影响人们行为的因素主要有两类：保健因素和激励因素。两类需要之间彼此是独立的，但能够以不同的方式影响人们的行为。

（1）双因素的概念

①激励因素。又称外部因素，指与工作环境或条件相关的因素，这是保持职工达到合理满意水平所必需的因素，不具备这些因素，员工则不满意。即那些能带来积极态度、满意和激励作用的因素。激励因素主要包括以下内容：a. 工作表现机会和工作带来的愉快；b. 工作上的成就感；c. 由于良好的工作成绩而得到的奖励；d. 对未来发展的期望；e. 职务上的责任感。具备这些因素能对人们产生更大的激励。

②保健因素。又称内部因素，指那些造成员工不满的因素，它们的改善能够消除员工的不满，但不能使员工感到满意并激发起员工的积极性。主要包括组织的政策、行政管理、工资发放、劳动保护、工作监督以及各种人事关系处理等。由于它不能起激励作用，只带有预防性，只起维持工作现状的作用，也被称为“维持因素”。这两种因素是彼此独立的并且以不同的方式影响人们的工作行为。

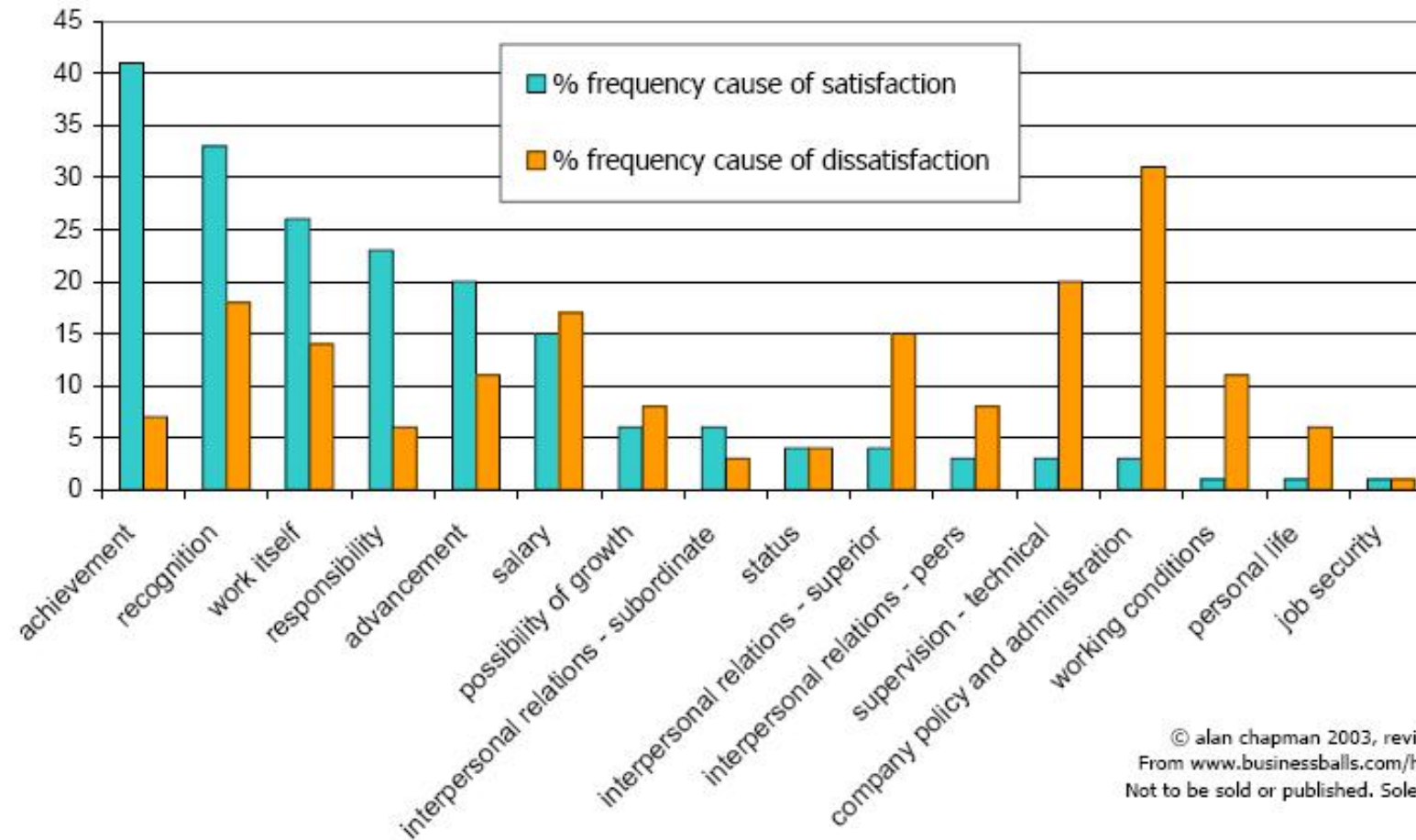
赫兹伯格明确提出了10个保健因素和6个激励因素，具体如表3所示。

表3激励因素和保健因素

激励因素	保健因素
· 成就	· 监督
· 承认	· 公司政策
· 工作本身	· 与监督者的关系
· 责任	· 工作条件
· 晋升	· 工资
· 成长	· 同事关系
	· 个人生活
	· 地位
	· 保障
	· 与下属关系

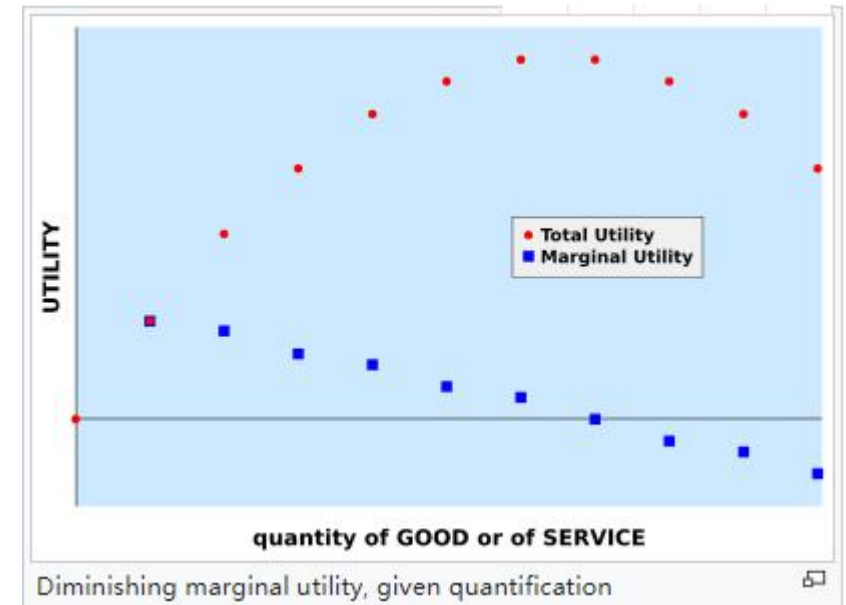
Herzberg's motivators and hygiene factors

(Achievement to advancement are motivators; the others are hygiene factors. Based on percentages of total factors causing high and low attitude effects; Herzberg - The Motivation To Work, 1959.)



Frederick Herzberg - Motivational theory

Disadvantage: Marginal utility



For Our Employees

Basic Approach

As the fields of operation of the Kikkoman Group expand and become global, the employees working in the Kikkoman Group are also becoming more diversified. Recognizing our environment is experiencing numerous changes, we strive to create work environments that employees can work with peace of mind and a sense of job satisfaction and utilize diverse human resources with different backgrounds and values to develop a global human resource.

Respecting Human Rights

When doing business, the Kikkoman Group respects human rights. The Kikkoman Group Code of Conduct states, “We respect personalities and individualities, foster mutual understanding, and stamp out discriminations based on prejudices. We make fair evaluations in the treatment of employees.”

In 2001, Kikkoman announced our participation in the United Nations Global Compact(UNGC). The ten principles of the UNGC set forth in the Global Compact’s “Human Rights” and “Labor Standards” sections are fully compatible with those stipulated in our Labor Agreement, Working Regulations, and Labor-Management Joint Declaration.

Corporate Citizenship

Message from CEO	▶
Kikkoman’s Approach to Corporate Social Responsibility	▶
Kikkoman Data Book 2017	▶
Management	▶
Environment	▶
Social Aspects	▶
▶ For Our Employees	
▶ Working with Suppliers	
▶ The Kikkoman General Hospital	

Frederick Herzberg - Motivational theory

Flexible work arrangements (Kikkoman)

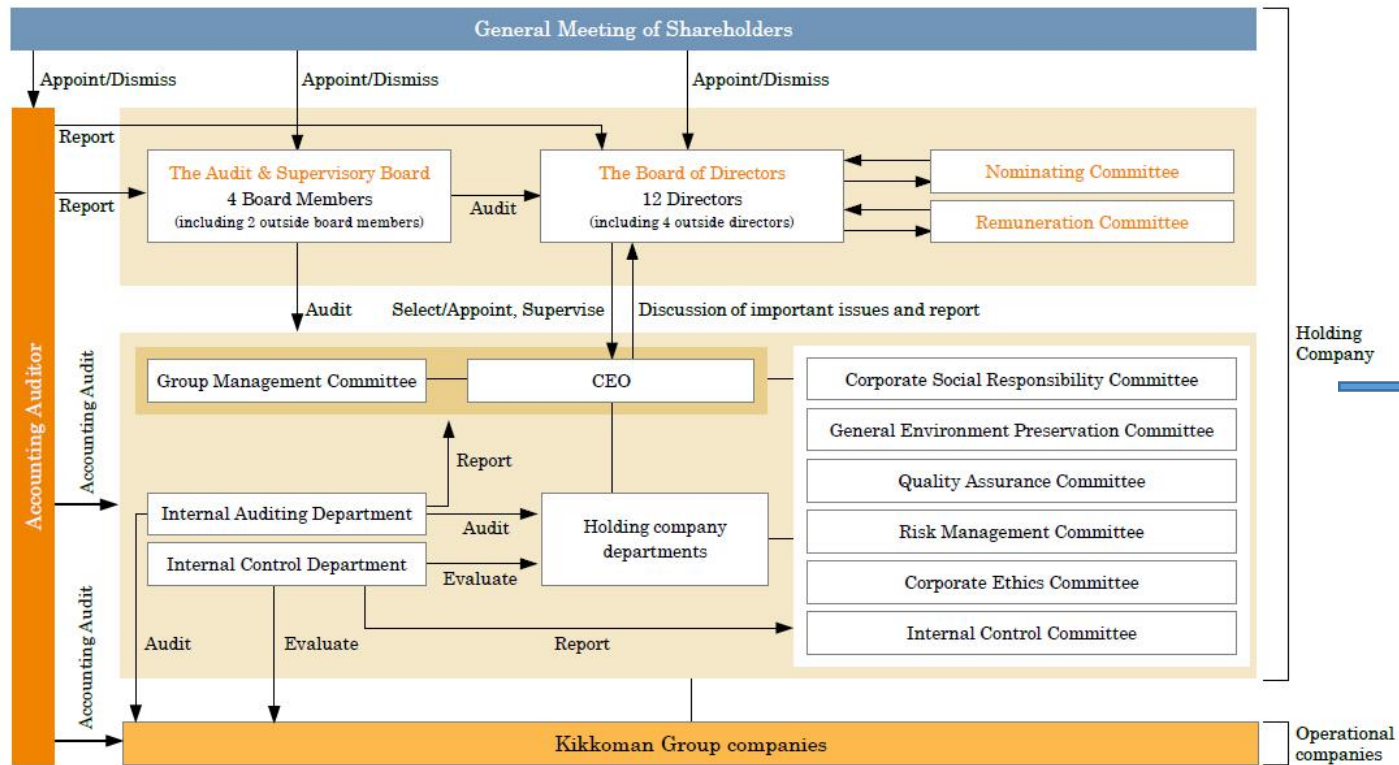
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Shorter work hours for childcare (since 1996)	<ul style="list-style-type: none">• An employee can take up to two reductions in regular work hours totaling a maximum of two hours daily from the time of conception until the child enters the fourth grade.
Morning sickness leave (since 2000)	<ul style="list-style-type: none">• Up to 15 days can be taken during pregnancy.
Child nursing care leave (since 2003)	<ul style="list-style-type: none">• Up to 5 days per year per child can be taken until the child in question reaches fourth grade.
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Frederick Herzberg - Motivational theory

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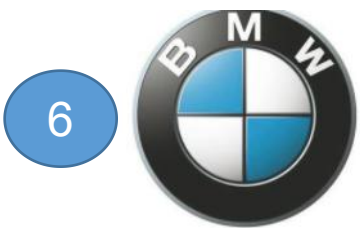
The Corporate Governance System
(As of June 26, 2018)

outside director can be
selected internally



Principal-agent Theory

CASES



Questions:

- 1.what is the definition of family business?
- 2. Does Bach family belong to family business,please explain?
- 3. Is Italian bassoon producer family business, please explain?
- 4. Is Freunberg family business, please explain?
- 5. What are two kinds of capitalism model? please explain.
- 6. What is the model of Kikkoman, why?