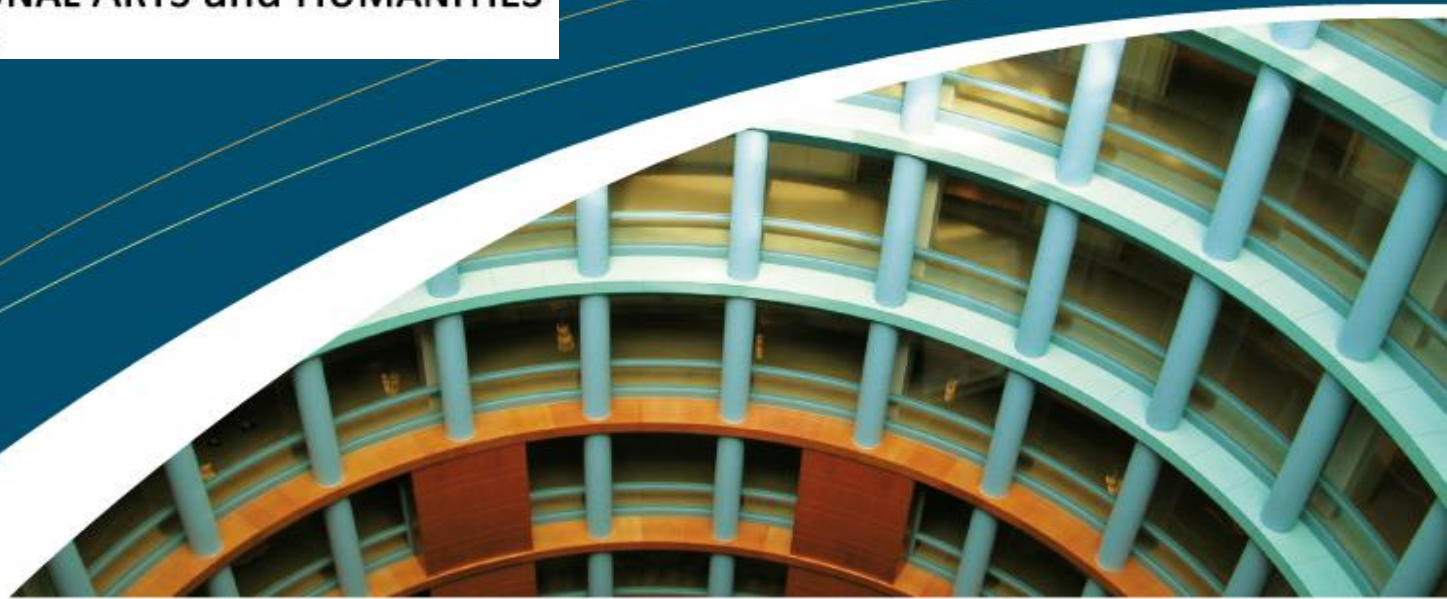




CENTER of INTERNATIONAL ARTS and HUMANITIES

Harbin Institute of Technology at Shenzhen



Guo Man

Capitalism Against Capitalism

Family Business Management

Case 1: A Study of a Sino-German Firm



| Rathenow: Population development within the current boundaries (2013) ^[3] | | | | | | | |
|---|------------|------|------------|------|------------|------|------------|
| Year | Population | Year | Population | Year | Population | Year | Population |
| 1875 | 12 443 | 1981 | 33 952 | 1997 | 30 066 | 2007 | 26 265 |
| 1890 | 18 841 | 1985 | 33 312 | 1998 | 29 688 | 2008 | 25 791 |
| 1910 | 29 125 | 1989 | 32 721 | 1999 | 29 285 | 2009 | 25 515 |
| 1925 | 32 056 | 1990 | 31 945 | 2000 | 28 811 | 2010 | 25 301 |
| 1933 | 32 779 | 1991 | 30 959 | 2001 | 28 476 | 2011 | 24 348 |
| 1939 | 37 449 | 1992 | 30 973 | 2002 | 28 000 | 2012 | 24 253 |
| 1946 | 34 005 | 1993 | 30 729 | 2003 | 27 558 | 2013 | 24 164 |
| 1950 | 32 254 | 1994 | 30 649 | 2004 | 27 230 | | |
| 1964 | 31 083 | 1995 | 30 498 | 2005 | 26 973 | | |
| 1971 | 31 834 | 1996 | 30 277 | 2006 | 26 640 | | |

A small town in North Germany: Rathenow

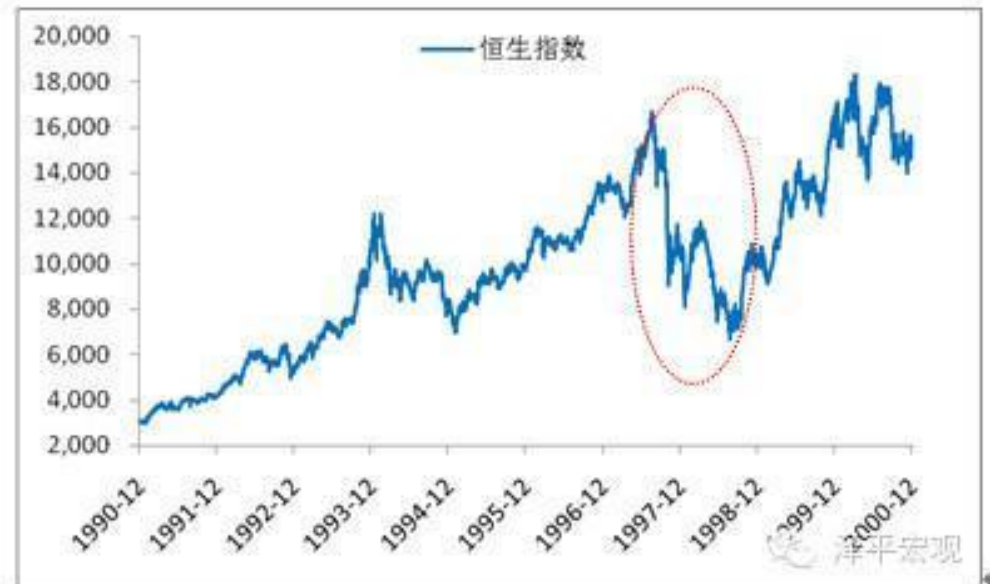


INTERNATIONAL FINANCE CORPORATION
WORLD BANK GROUP

From Huasheng to Welz



Case 2: Soros and Short Selling





CITIGROUP INC
as of 6-Mar-2009

Splits: ▼



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淘股吧



| 公司 | 股价（美元） | |
|--------------|--------|-------|
| | 1929年 | 1932年 |
| 录音机公司（电子行业） | 115 | 3.5 |
| 纽约中央铁路公司（铁路） | 256 | 5 |
| 克莱斯勒公司（汽车） | 135 | 5 |
| 通用汽车公司（汽车） | 92 | 4.5 |
| 通用电气公司（电子产品） | 220 | 20 |
| 蒙特戈美瑞公司（商场） | 70 | 3 |
| 联合钢铁公司（钢铁） | 375 | 22 |



INTERNATIONAL FINANCE CORPORATION
WORLD BANK GROUP

Case 3: Clan, Power and Property





IFC

INTERNATIONAL FINANCE CORPORATION
WORLD BANK GROUP





Case 2: A free market (with little or no government control, for maximizing profit)

Case 1: A free market (with caring stakeholders' needs)

Case 3: A free market (with culture impact)

Is Market an institution?

Is company regulation an institution?



Institution 1: Proponents of the term "Anglo-Saxon economy" argue that the economies of these countries currently are so closely related in **their liberalist and free market orientation that they can be regarded as sharing a specific macroeconomic model. ---case 2**

Institution 2: The Rhine Model (German: Soziale Marktwirtschaft) is a social and economic system combining free market capitalism which supports private enterprise, alongside social policies **which establish both fair competition within the market and a welfare state.---case 1**



- **What is Institution:**
- **Institutions are "stable, valued, recurring patterns of behavior."As structures or mechanisms of social order, they govern the behaviour of a set of individuals within a given community.**

North, D. C. (1992). Transaction costs, Institutions, and Economic Performance (pp. 13–15).
San Francisco, CA: ICS Press.

- **As mechanisms of social interaction, institutions manifest in both formal organizations, such as the company rules , or the market regulation, and, also, in informal institution, reflecting human psychology, culture, habits and customs, and encompassing subjective experience of meaningful enactments. Therefore it is both endogenously and exogenously created.**



Two Kinds of Management Model (Capitalism)

Anglo Saxon Model(oriented by free market*) : is characterized by individuals and firms pursuing their maximized profit.

Rhine Model(focusing on people): is characterized by the sharing information and building consensus among stakeholders, pursuing long term development.



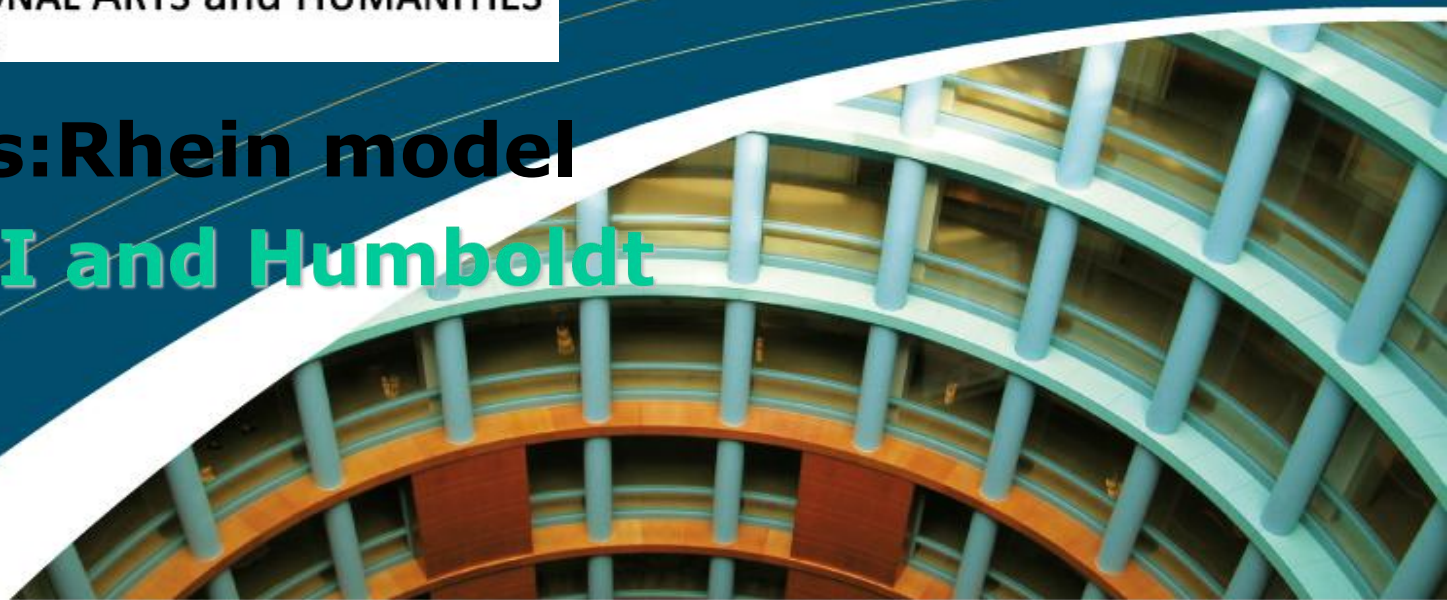
A free market* is a market economy based on supply and demand with little or **no government control. A completely free market is an idealized form of a market economy where buyers and sellers are allowed to transact freely (i.e. buy/sell/trade) based on a mutual agreement on price without state intervention in the form of taxes, subsidies or regulation.**

In financial markets, free market stocks are securities that are widely traded and whose prices are not affected by availability.

In foreign-exchange markets, it is a market where exchange rates are not pegged (by government) and thus rise and fall freely though supply and demand for currency.

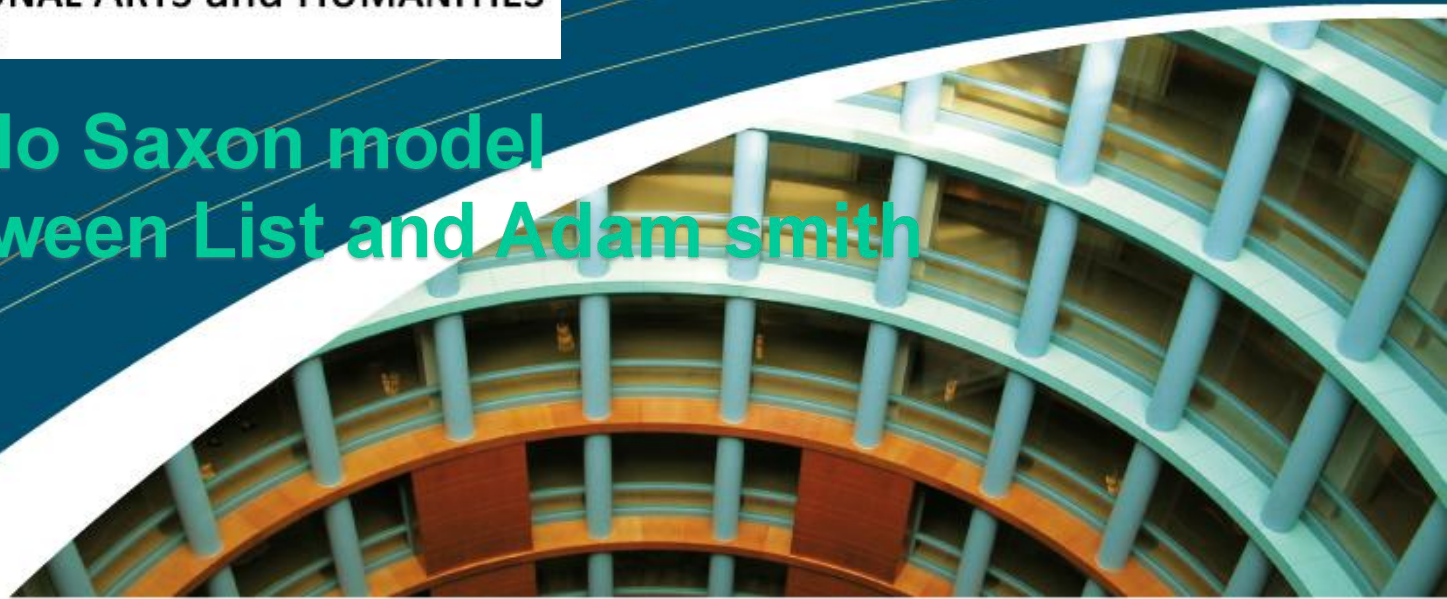


- **The Origins: Rhein model**
Friedrich II and Humboldt





The Origins: Anglo Saxon model discussion between List and Adam Smith



- The Anglo-Saxon model or Anglo-Saxon capitalism (so called because it is practiced in English-speaking countries such as the United Kingdom, the United States, Canada, New Zealand, Australia and Ireland) is a capitalist model that emerged in the **1970s, based on the Chicago school of economics.** However, its origins date to the 18th century in the United Kingdom under the ideas of the classical economist **Adam Smith.**
- Proponents of the term "Anglo-Saxon economy" argue that the economies of these countries currently are so closely related in their liberalist and free market orientation that they can be regarded as sharing a specific macroeconomic model.



- **However, those who disagree with the use of the term claim that the economies of these countries differ as much from each other as they do from the "welfare capitalist" economies of northern and continental Europe.**
- **The Anglo-Saxon model of capitalism is usually contrasted with the Continental model of capitalism, known as Rhine capitalism, the social market economy or the German model, and is also contrasted with Northern-European models of capitalism found in the Nordic countries, called the Nordic model. The major difference between these economies from Anglo-Saxon economies is the scope of collective bargaining rights and corporatist policies.**



Anglo Saxon model: Tax in GNP 30%

Rhine capitalism model: Tax in GNP 40%

Anglo Saxon model: Market Financing

Rhine capitalism model: Bank Credit (Shareholder)



Inflation Growth

| | 1981 | 1983 | 1985 | 1987 | 1989 | 1991 | 1993 | 1995 | 1997 | 1999 | 2001 | 2003 | 2005 |
|----|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 法国 | 11.0 | 9.3 | 5.4 | 2.7 | 3.2 | 2.3 | 1.9 | 1.2 | 1.1 | -0.1 | 2.0 | 1.9 | 1.9 |
| 德国 | 4.2 | 2.8 | 2.1 | 1.3 | 2.9 | 3.1 | 3.7 | 1.9 | 0.3 | 0.4 | 1.2 | 1.0 | 0.6 |
| 英国 | 11.3 | 5.6 | 5.7 | 5.3 | 7.5 | 6.6 | 2.7 | 2.7 | 2.9 | 2.2 | 2.2 | 3.1 | 2.2 |
| 美国 | 9.4 | 4.0 | 3.1 | 2.8 | 3.8 | 3.5 | 2.3 | 2.0 | 1.7 | 1.4 | 2.4 | 2.1 | 3.0 |

GDP

| | 1980 | 1982 | 1984 | 1986 | 1988 | 1990 | 1992 | 1994 | 1996 | 1998 | 2000 | 2002 | 2004 | 2005 |
|----|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 法国 | 1.9 | 2.9 | 1.7 | 2.3 | 4.3 | 2.7 | 1.9 | 2.1 | 1.1 | 3.6 | 4.1 | 1.2 | 2.3 | 1.2 |
| 德国 | 1.3 | -0.8 | 2.8 | 2.4 | 3.7 | 5.7 | 2.2 | 2.7 | 1.0 | 2.0 | 3.2 | 0.1 | 1.6 | 0.9 |
| 英国 | -2.1 | 1.9 | 2.6 | 3.9 | 5.0 | 0.7 | 0.3 | 4.4 | 2.7 | 3.2 | 4.0 | 2.0 | 3.2 | 1.9 |
| 美国 | -0.2 | -2.0 | 7.2 | 3.4 | 4.1 | 1.9 | 3.3 | 4.1 | 3.7 | 4.2 | 3.7 | 1.6 | 4.2 | 3.2 |



Social security in GDP

| | 1981 | 1983 | 1985 | 1987 | 1989 | 1991 | 1993 | 1995 | 1997 | 1999 | 2001 | 2003 |
|----|------|------|------|------|------|------|------|------|------|------|------|------|
| 法国 | 21.8 | 22.4 | 25.8 | 25.9 | 24.9 | 26.0 | 28.1 | 28.6 | 28.7 | 28.8 | 27.5 | 28.7 |
| 德国 | 23.7 | 23.4 | 23.6 | 23.9 | 23.0 | 23.7 | 26.1 | 27.1 | 26.7 | 26.7 | 26.7 | 27.6 |
| 英国 | 18.0 | 19.4 | 19.6 | 18.9 | 17.1 | 18.6 | 21.0 | 20.4 | 20.1 | 19.3 | 19.1 | 20.1 |
| 美国 | 13.6 | 14.1 | 12.9 | 13.0 | 13.0 | 14.4 | 15.3 | 15.4 | 15.2 | 14.8 | 14.6 | 16.0 |

Unemployment rate of age 18-24

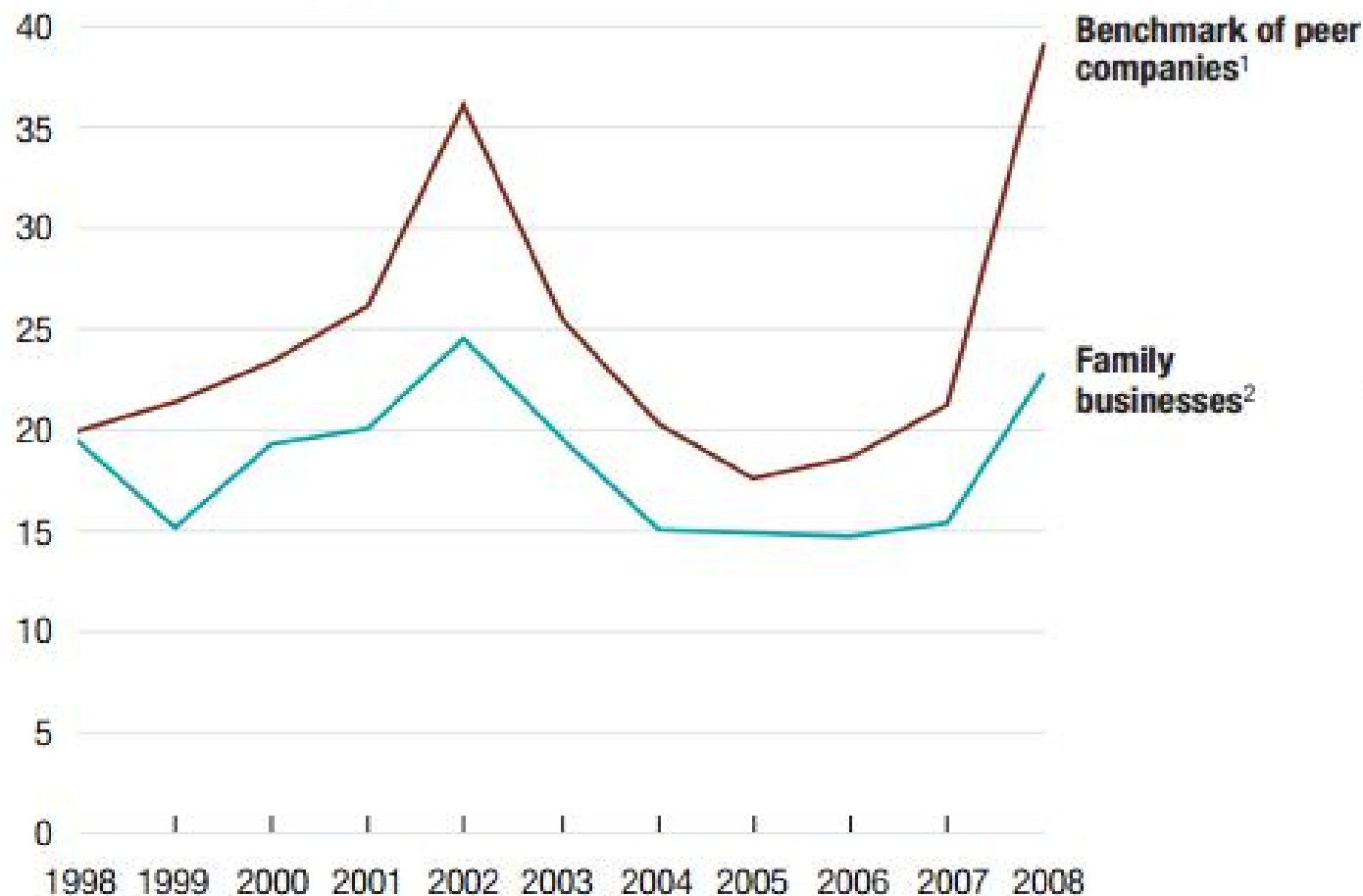
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|----|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 法国 | 24.2 | 22.0 | 21.8 | 21.3 | 19.9 | 20.8 | 20.7 | 23.2 | 24.3 | 24.1 | 26.7 | 26.4 | 26.0 |
| 德国 | 52.7 | 51.4 | 49.1 | 47.0 | 45.8 | 46.7 | 47.1 | 47.2 | 47.0 | 44.8 | 42.4 | 41.9 | 42.6 |
| 英国 | 58.8 | 58.8 | 59.0 | 60.2 | 60.8 | 60.8 | 60.8 | 61.5 | 61.0 | 60.9 | 59.7 | 60.1 | 58.1 |
| 美国 | 57.2 | 58.1 | 58.3 | 57.6 | 58.0 | 59.0 | 59.0 | 59.7 | 57.7 | 55.7 | 53.9 | 53.9 | 53.9 |

Patent numbers

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|----|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 法国 | 1774 | 1630 | 1692 | 1864 | 1877 | 2085 | 2105 | 2274 | 2303 | 2372 | 2368 | 2352 | 2356 |
| 德国 | 3655 | 3851 | 4005 | ... | 4727 | 5323 | 5463 | 5901 | 6389 | 7144 | 7275 | 7244 | 7111 |
| 英国 | 1244 | 1299 | 1368 | 1465 | 1493 | 1594 | 1542 | 1645 | 1985 | 2088 | 2074 | 2014 | 2024 |
| 美国 | 10183 | 10554 | 10362 | 10920 | 11990 | 12842 | 14431 | 14868 | 16296 | 17554 | 18064 | 18954 | 19222 |

Lower levels of financial leverage ...

Median debt-to-equity ratio, %



... and a lower cost of debt

The average yield spread on corporate bonds is 32 basis points lower for family-owned businesses³

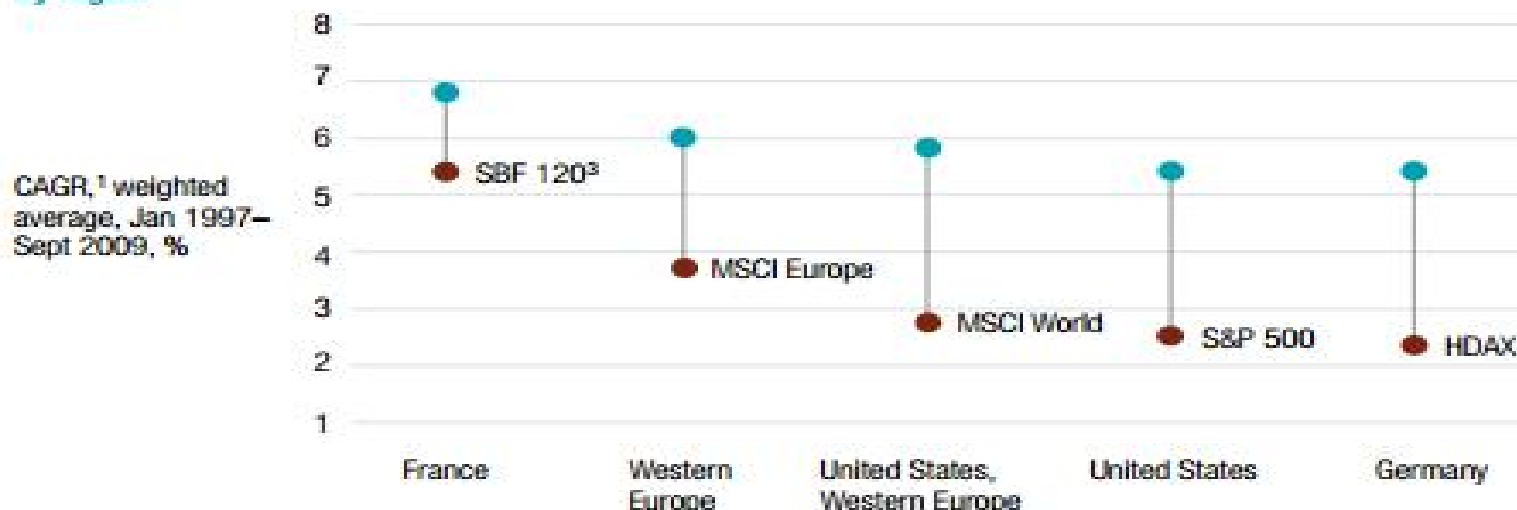
¹Annual median of current constituents of S&P 500, HDAX, and SBF 120 (Société des Bourses Françaises 120 Index); excludes financial companies and family businesses.

²Annual median of sample of 149 family-influenced companies in United States and Western Europe; excludes financial companies.

³Sample consisted of 250 industrial firms in S&P 500 from 1993–98; weighted for factors that influence spread differences (eg, degree of leverage, performance, company size, credit rating).

10-year total returns to shareholders (TRS)

By region



By sector



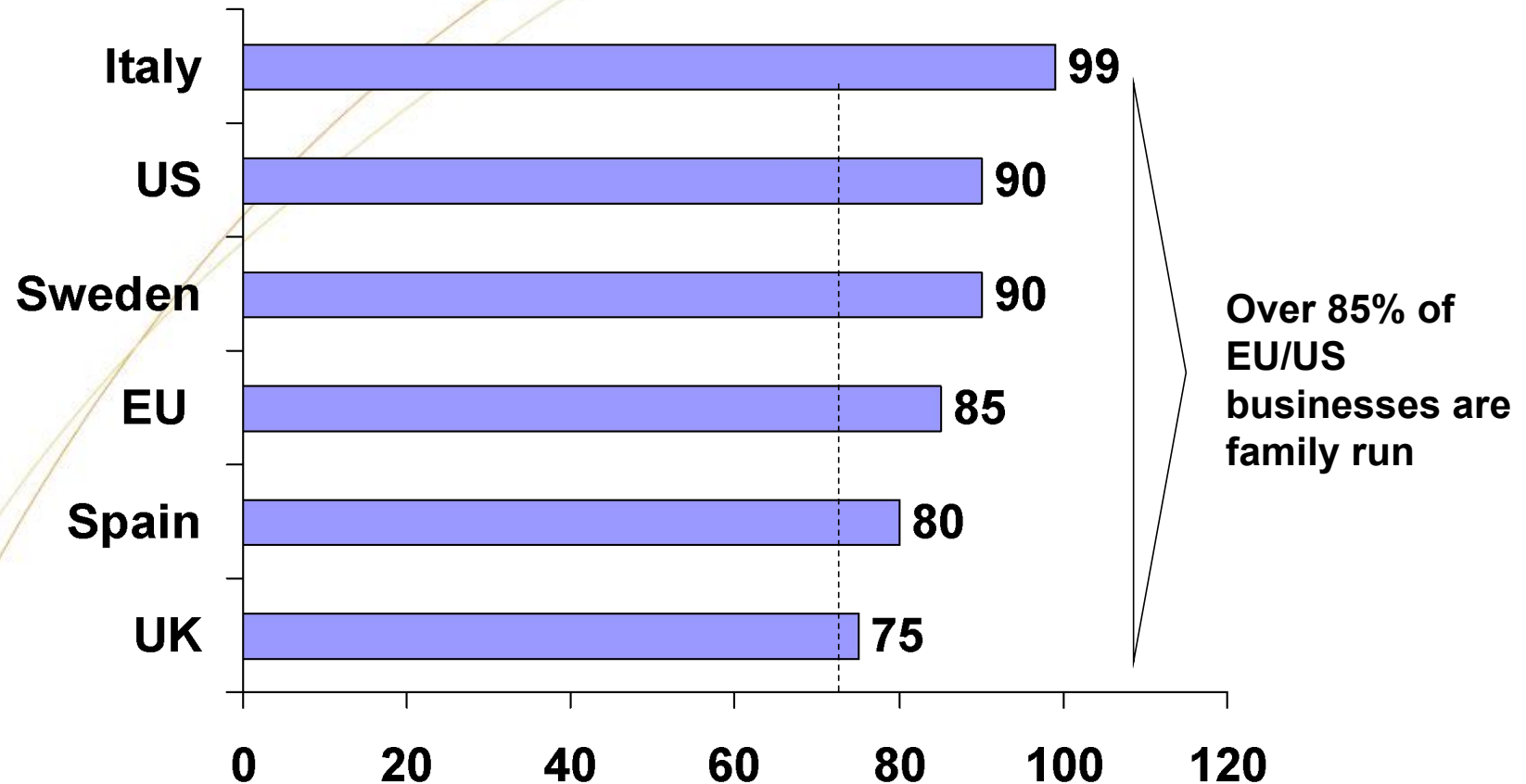
¹Compound annual growth rate.

²Sample consisted of 154 publicly listed family-influenced companies (ie, those with >10% family ownership at end of 2007) in United States and Western Europe.

³Société des Bourses Françaises 120 Index.

The Importance of Family Business—and Hence Corporate Governance—to the Economy

Proportion of OECD Firms That are Family-Run
In percent



Source: Nancy Upton and William Petty, "Venture Capital Investment in Family Business," *Venture Capital*, 2010, Vol. 2, No. 1, pp. 27-39



Introduction

- 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:

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.



What Is a Family Firm?

Definition Zellweger:

**A family firm is a firm
dominantly controlled by a
family with a vision to
potentially sustain family
control across generations**

PPT Outline

Outline:

1. Company History and Description

- a. Detailed account of the firm' s history including why and how it started
- b. Any significant milestones in the company' s development
- c. Organizational ownership structure
- d. Description of products and services

2. Current Analysis

- a. Current goals and objectives
- b. Current strategy
- c. Financial Analysis – give a brief overview (to the extent available)
- d. Organizational chart

3. Family Business Mission Statement (if available)

- a. Explain if this statement is consistent with your analysis of the company

4. This is the most important section of your PPT. You should devote appropriate attention as you discuss the following questions, please cover all the 16points:

- What are critical family business challenges facing the company and/or the owning family (families) at present ?

* Year book, official homepage, annual report, CSR report and so on...

Topics to include in your PPT discussion

- 迈向可持续的未来: **16Points under 2 models**
- **1.首席执行官 CEO** what is the role of CEO and where is he from?
- **2.决策 Decision** who is making decision in FB?
- **3.伦理 Ethics** how does the family ethics an business ethics interfere?
- **4.金融市场 Financing** how is the financing?
- **5.创新 Innovation** Do you think this innovative model can be duplicated in China?
- **6.知识管理 Knowledge Management** how to organize the KM?
- **7.长期视角 Longterm View** longterm or shortterm view?
- **8.继任 Succession** how to succeed?
- **9.组织文化 Corporate Culture** what is the CC?
- **10.人的优先权 Human Priority** how to treat employee?
- **11.质量 Quality** how to ensure quality?
- **12.保留员工 Employee Retention** does FB has work council?
- **13.企业社会责任 CSR** what is CSR in FB?
- **14.环境责任 Environment** any care of the environment?
- **15.利益相关者 Stakeholders** who is the stakeholders of FB?
- **16.工会和管理层 Corporate Governance** how is the structure?

During studying this class, you should also be able to:

1. Discuss the factors that make a family business unique.
2. Explain the forces that can keep a family business moving forward.
3. Outline the complex family roles and relationships involved in a family business.
4. Identify management practices that enable a family business to function effectively.
5. Describe the process of managerial succession in a family firm.
6. Identify how your FB survive in the certain environment(in 2 models)?



Teaching Methods and Course Materials:

- The course will include case studies, lectures, readings, videos and discussions.
- A number of cases are assigned which you should read and prepare for discussion.

The grading structure is weighted as follows:

硕士

- Class Participation: 30%
- Group Case Analysis (PPT+Report) : 30%
- Exam:40%

本科

- Class Participation: 30%
- Group Case Analysis (PPT+Report) : 70%

Group Presentation 35% :7 group, 7 presentation, each group member should talk

We will have groups of 6-7 individuals who will research and present on one actual family business. You may use the research paper outline as a template for organizing your research. It is important that all members of the group participate in all phases of your work together. Each group will have 30+ minutes (plus Q&A and feedback) to present in whatever format works for them; you are not obligated to use a PowerPoint presentation. You can do a dramatic presentation (a play) or news show or some other format (like Prezi). Be creative. This should be the showcase for all of you in your group to demonstrate your mastery and interest in this family business, what you have learned about them and what you might recommend as they move forward. This will be discussed more fully in class. Deliverable: In class, hand in the hard copy PPT slides, or a brief write-up if you are not using PPT. Please email your presentation to me as well.

Individual Report 35%: 6 case report, everyone should submit

Each student has to answer the in class questions and submit in written form on a A4 paper (as report) directly after the lecture is finished. Each case group should prepare 3 questions(according to the 16 pints of PPT) for the rest of the students, the teacher will also provide 3 question, together 6 questions. At the end of the course, each individual student has to hand in 6 reports of the 6 case questions.

For example:

- **How important is your FB in their economy? In Germany? In States? In Japan?...**
- **What is the model of your FB?**
- **What are typical weaknesses and strengths of your FB?**
- **How does family affect family business decisions?**
- **How does FB identity contribute to FB competitiveness?**
- **What is ambidexterity? How does it show up in FB innovation management?**
- **What are major internal and external governance mechanisms?**
- **What are major symptoms of governance problems?**
- **How do governance challenges change during growth of FB across generations?**
- **What are major governance conflicts across the 'three circles'?**

课程主要教材**Textbook(s)**

李新春、苏琦主编, 家族企业: 公司治理与成长, 经济科学出版社, **2008年**

主要参考文献 **Reference(s)**

李秀娟 等著, 传承密码: 东西方家族企业传承与治理, 复旦大学出版社, **2018年**

CASES



Thank You!

