

The Learning Growth Pattern of Family-like Business

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Abstract

Learning is the key of building sustainable competitive advantage under uncertain environment. A well organizational governance structure facilitates organizational learning. The purpose of this paper is to explore and explain how a family-like business creates sustained competitive advantage based on its learning governance structure which is a unknown area.

We use qualitative method conducting a longitudinal single case study. Through a case of Wang Group which is the biggest food and beverage chain store with high growth, high profit, debtless, and low resign rate in Taiwan, we not only uncovers the growth pattern of family-like business from its governance structure of management learning, but also find a new approach to organizational governance, strategy and competitive advantages in learning education. The growth pattern we found includes establishment, duplication, diffusion, and integration of governance structure based on the philosophy of family business. This finding reveals the management learning pattern in family-like business and fills the gap of family business in management learning.

Keywords: family-like business, growth pattern, organizational learning, governance structure, dream of being a boss

1. Introduction

Learning is the key of building sustainable competitive advantage especially under an uncertain environment for an organization. A well organizational governance structure among owners, board of directors and top managers facilitates organizational learning.

One of the prevailing governance structures is the separation of ownership and control which was described as professional managers mechanism 3 decades ago by Chandler(1977). Such governance structure encourages the trading of enterprise resources (e.g. by using owner's share to exchange the managerial knowledge from professional managers), but this impedes the willingness of knowledge transfer and learning. The other prevailing governance structure is integration of ownership and control which is the primary governance structure in the business world. It eliminates top positions for outside managers and the transfer of their professional knowledge which is harmful to organizational learning from them.

In this article we argue for the creation of a new form of learning governance structure – one that allows the creativity and learning capabilities of all staff to be developed and leveraged. This, we contend, is the family-like governmental structure.

We begin with a definition and explanation of the concept of growth pattern of organizational governance, and a critique of the role of prevailing governance structures. A research question is also provided. Chairman Dai of Wang Group said” the key reason of why Wang Group can be successful is our learning governance structure of family-like business”. So we select this case which is the biggest food and beverage chain store in Taiwan with its unique and influenced governmental philosophy of family-like business - allowing all employees having ownership and management control as a family to explore and explain how Wang Group build sustainable competitive advantage based on its governmental philosophy of learning. In conclusion, we argue for the development of growth processes that facilitate knowledge sharing, transfer and organizational learning.

2. Governance and Learning

Governance is concerning the ownership and control of a firm. Corporate governance structure is a structure with balanced relationship among owners, director of the board and top managers (Wu, 1994). Different governance structure has different impact on learning and knowledge transfer.

Professional managers

Modern and prevailing corporate governance theories encourages professional managers mechanism (Berle & Means, 1932 ; Chandler,1977; Chen,1984; Katz,1974; Lian,1993; Schein,1968) with the separation of ownership and control (Kuang & Fang, 2005; Lee & Chen, 1999; Zhong, 2003). Although, this governance structure has led to the economic boom in western countries (Chandler, 1977 ; Duncan & Flamholtz,1982; Kuang & Fang, 2005; Lee & Chen,1999; Wang & Jiang, 2010), it also causes agency problem (Lee & Chen, 2009; Wang & Jiang, 2010).

Governance relationship of professional managers is in light of the trading of

substance. When owners expand their business and need specific industrial or managerial know-how from outside professional managers outside the company, they need release shares to trade such know-how (Lee & Chen,2009; Romano,Tanewski & Smyrnios,2000). This growth pattern through obtaining external professional know-how can be seen as “external learning-based growth pattern”. On the other hand, this pattern has organizational problem for professional managers who do not intend to share their know-how as asset for it is what they are living for. Owners also don’t want to share their knowledge for the cost will be much higher once outside managers own such know-how(Wang, 2009).Under this situation, organizational knowledge will be difficult to transfer or learn from both side(Zhong, Weng, Liu,2007).

Family Business

In contrast with the separation governance structure of professional managers, family business adopts combined governance structure of ownership and control which stimulates the motivation for family learning and transferring of knowledge under mutual trust, long term relationship among family members (Milton, 2008) inside the family. Such internal rather than external learning has advantages like lower cost(Ouchi, 1980; Ouchi & Price, 1978; Wilkins & Ouchi, 1983), well secret protection, easy communication, quick decision making (Wang, 2009) and better exchange atmosphere(Habermas, 1984).

Family business owners usually require their members to keep their shares inside the firm in order to maintain controlling, once they expands business needing external capital or specialized know-how from talent (Wu, 1993; Dyer, 1989; Bewayo,2009). Furthermore, their owners always reserve top managerial positions for family members and transfer specific know-how to help them taking over such positions, so non-family members have no opportunities to take such positions. Based on these principles, family members can hold the ownership and control for a very long time. The growth pattern through obtaining internal knowledge can be seen as “internal learning-based growth pattern”.

On the other hand, this pattern also cause problems in organizational learning for its specific management know-how can only be learned and transferred inside the family (Pollak, 1985; Gersick, Davis, Hampton, & Lansberg, 1997) . For instance, family members are incompetence to learn certain specific know-how (Barach, Gantisky, Carlson, & Doochin, 1988) or the specific know-how for expansion cannot be found inside the family (Royer, Simons, Boyed & Rafferty,2008) or lacking of motivation to attract join of profession managers (Yang, 2008; Yang & Yuan, 2008) even causes specialized talent flows outward(Xie, 2004; Yang, 2008) .

Family-like Business – New Form of Learning Governance Structure

Managerial philosophy influences strategy, organization, governance (Mintzberg, 2005) and organizational learning. Expanded definition of family includes co-investment partners. Hence, in this article “a firm adopting managerial philosophy of family business to allow all employees having ownership and control is defined as family-like business”. Therefore, all the employees are family members who work, share and learn specific know-how inside the family based on long term and mutual trust relationship. From the learning viewpoint, such governance structure facilitates both internal and external know-how. Hence, it can be seen as “mixed learning-based growth pattern” as a theoretical gap and a unique case will be following to explore it.

3. Methodology

The purpose of this research is to explore the growth pattern of “how Wang Group creates sustained competitive advantage based on its unique mixed learning-based governance structure”. Case study is adopted because it is appropriate for those having ‘how’ questions (Yin, 2009) and Wang Group is selected for its managerial philosophy of family business is the most suitable case to achieve the purpose. This research adopts single case study (Yin, 2009), for its advantage is created via mixed learning neither internal nor external to make it unique.

We collect primary data via open-ended interviews with questions anchoring research purpose to top manager. We record and manuscript every interview, and then we build a case database to increase reliability (Yin, 2009). We collect secondary data via Wang Group Homepage, UDN database etc., Data completeness is based on theoretical saturation (Glaser & Strauss, 1967). We also test data via multi-evidence triangulation. Meanwhile, we also develop a evidence chain (Yin, 2009) to verified and judge the reliability of data (Yin, 2009).

We analyze the case data via time series and narrative form (Yin, 2009) about governance structure and learning. The eventual explanation is likely to be a result of a series of iterations which include (1)making an initial theoretical statement,(2)comparing the finding of an initial case against such statement,(3)revising the statement,(4)comparing other details of the case against the version,(5) repeating this process as many times as it needed, until saturation (Eisenhardt,1989; Yin,2009). During the process of building explanation, we also probe into the source of advantage creation. Based on explanation built, we are able to increase the internal validity (Yin, 2009).Data collection and analyses are iteration (Eisenhardt, 1989). After completion of final draft, we ask information provider to inspect the case we analyzed for higher construct validity (Yin, 2009).

4. Analysis and Conclusions

After nearly 20 years endeavor, Wang Group has become the biggest food and

beverage chain stores which sales surpasses McDonalds, Starbucks, and Grand Formosa Regent in Taiwan since 2008. Currently, Wang Group has 10 brands and 161 stores.

Following will induct the learning-based growth pattern of a family-like business via four turning points of the firm.

Stage 1: 1992~2000.

Finding a New Business Opportunity: One day, Chairman Dai ate steak prepared for Yong Qing Wang, who is the president of biggest firm in Taiwan. He suddenly found that this will be a great business for life and he named it Wang Steak. It was very famous at that time, because he asked his cooks to create even more delicious flavors, and advertised: “one cattle only for six steaks”.

Co-Investment with Professional Managers: Capital of Wang Steak was from himself and his business partners. Since Wang Steak was established, Dai has invited and attracted professional managers to invest as start-up shareholders at every stores. At that time, there were four original shareholders to build the foundation in IT(information technology), purchasing, operation and finance based on their professional know-how.

Encouragement with Humanity: How to motivate professional managers dedicated their know-how and investment as family members? Chairman Dai found “investment of stocks and shares immediately (monthly not annually)” governance principle when he watched dolphin performances through flaming hoops jumping at “Hong Kong Ocean Park” in 1992. He also decided to release 80% share to its employees. Hence, when a store is open, the store managers and chefs will become a major shareholder to share bonus every month. They run and make decisions for the store from their professional know-how and transfer their know-how to other employees via OJT(on job training). Based on the governance structure and learning analyzed, we can conclude that:

Conclusion 1: At this stage, Chairman Dai **established a learning governance structure** – released 80% share and control to professional managers who are family members and the organization learned the know-how from (external) managers and (internal) owned.

Stage 2:2001~2005

In 2001, Taiwan faced biggest economic recession for the past 30 years, and many restaurants were closed. “While the number of customers is down, that is a good opportunity to develop a lower-price market “Chairman Dai thought, so he announced to offer below US\$10 meal (Wang Steak average price is US\$17) and he announced

an entrepreneurial project named “Awaking Lions” to duplicate brands from Wang Steak as Wang Group.

Duplication of Wang Steak: Based on this project, many professional managers joining and investing Wang Group as family members. New brands with lower price were developed based on know-how from owner and professional managers.

Co-decision making process: as family members, all employees made 95% decision based on their knowledge and Chairman Dai only makes 5% directive decision. Besides, Wang group establish many learning mechanism such as CSC(Central Standing Committee), teacher of Wang Group, and OJT(on job training). They built S.O.P.(standard operation procedure) system from specific know-how such as operation, IT, marketing, finance etc., as training credits to make management knowledge into organizational capability. Based on the governance structure and learning analyzed, we can conclude as:

Conclusion 2: At this stage, Wang Steak grows into a group via duplicate learning governance structure of Wang Steak.

Stage 3: 2005~2008

Geographical Expansion: “Experience of the last multi-brand stage, brand quantity reached the maximum. If Wang Group wanted more efficient expansion, it needed to move into lower price level of multi-store-brand”. Wang Group continually absorb professional managers to expand territory from big cities to small towns.

Co-propose mechanism: as family members, all employees encourage to share their idea via a proposal system and the proposal will be discussed and evaluated as a learning activity. “that is why Wang Group can conquest challenge everytime” Chairman Dai concluded. Based on the governance structure and learning analyzed, we can conclude as:

Conclusion 3: At this stage, Wang Group grows via diffuse the learning governance structure from big city to small town.

Stage 4 :2008~2011

Growth via Integration: For rapid growth in sales and profit, many people wanted to join Wang Group as a franchisee. In order to reach this target, Wang Group integrate 161 stores as one company to be ready for go public and international franchisee. Wang Group was planning to build a university to facilitate management and organizational learning at this duration. Based on the governance structure and learning analyzed, we can conclude as:

Conclusion 4: At this stage, Wang Group grows via integrate the governance

mechanism from stores to a company.

Based on the analysis, a growth pattern of family-like business is as Diagram1:

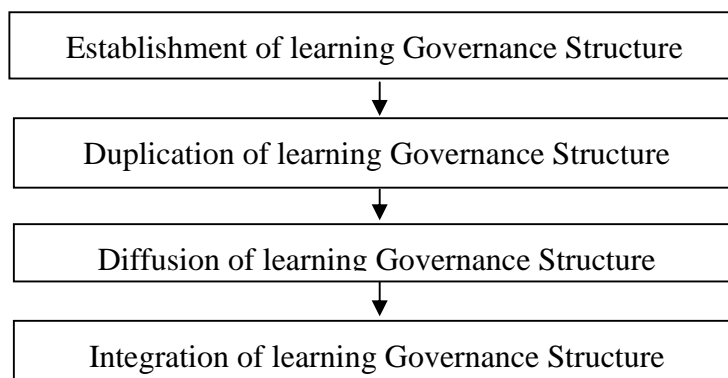


Diagram 1: Growth Pattern of Family-like Business

Wang group become the biggest restaurant chain store in Taiwan for it fulfill the dream of all employees being a boss and make a family-like firm which knowledge can be transferred and learned in the firm from outside professional managers and owners via these 4 stages (Diagram 1).

5. References

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