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Research on Strategic Decision-making of Chinese Family Enterprises —a Case Study Based on Real Estate Enterprises in Hainan

(Thesis submitted for the degree of Executive Doctorate in Business Administration)

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ABSTRACT

After over 30 years of development, the number of family enterprises in China has exceeded 50 million, created hundreads of millions of jobs and greatly promoted innovation and economic growth and played an important role for the entire national economy. Corporate strategic decision is about the survival. Scholars made long-term explortation on the corporate strategy-making of family enterprises but still had no sufficient understanding on family enterprises in emerging economies.

Special market context gives Chinese family enterprises many special features: Decision makers from Chinese family enterprises pay more attention to the survival of enterprieses over profits; they are not on the level playing field with state-owned enterprises; Chineses family enterprises, besides special resource endownment caused by featured property right, are easily impacted by the macro-enviroment. The above characteristics of Chinese family enterprises are not inline with basic asssumptions of mainstream theories of devision making—maximazation of profit as the goal of enterprises, fair competition on the market and relatively stable market environment.

After reviewing previous literatures and summarizing history of industrial development, this dissertation proposes model of strategic decision-making for Chinese family enterprises and hypothesis. It uses multi-case study to conduct analysis from various angles. Indepth analysis was conducted on decision-making strategy of two founders of Hainan-based real estate family enterprises. Meanwhile comparison was made between two local state owned real estate enterprises to reveal how the nature of enterprise property and external environment jointly impact modes of decision-making strategy and its contents.

The study finds that compared with SOEs, real estate family enterprises are more vulnerable to the changes of macroeconomic policies and industrial fluctuation. To build a long-lasting business, founders of family business tend to adopt centralized decision-making mode. In terms of the content of strategy, although family enterprises have the awareness and motivation of the principle-agent practice, but such attempt were failed due to the lack of professional managers and the particularity of the real estate industry. Consequently, family enterprises turn to cultivate the agents internally. In addition, insufficient investment and financing mechanism, possibility of bakcruptcy caused by high financial leverage and inferior competition status in the market force family enterprises to take a preference on low-debt financing deceison. Considering the “original sin”, inferior position may also lead family enterprises tend to chose long-term investment. On business expansion, family enterpreises formed a “rolling out”development based on their own advantages and disadvantages to “support key project of tomorrow with cash flow project”, while enjoying a clearly leading position on the deployment of emerging business with greater diversification compared with SOEs.

Fmialy enterprises that take a comprehensive consideration on both characteristics of property right and external environment did not only pull through crisis successfully, but also realized

good business performance so far, though long term performance need continuous observation. The above-mentionedfindings have significant academic contribution to the development of the strategic decision theory while offering theoretical guidance to improve the governance of Chinese family enterprises.

Key words: real estate, family enterprises, strategic decision making, case study

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