

**FACTORS AFFECTING SUCCESSION OF THAI SME FAMILY  
BUSINESS TRANSITION AND THE IMPORTANCE OF  
SUCCESSION PLANNING**

The logo of Mahidol University is a circular emblem. It features a central golden figure, likely a Thai deity or royal symbol, set against a blue background. The emblem is surrounded by a golden border containing Thai text. The text at the top reads 'มหาวิทยาลัยมหิดล' (Mahidol University) and the text at the bottom reads 'วิทยาลัยการจัดการ' (College of Management).

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**FACTORS AFFECTING SUCCESSION OF THAI SME FAMILY  
BUSINESS TRANSITION AND THE IMPORTANCE OF  
SUCCESSION PLANNING**

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**FACTORS EFFECT SUCESSION OF THAI SME FAMILY BUSINESS IN THAILAND AND IMPORTANT OF SUCESSION PLANNING**

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**ABSTRACT**

This paper aims to study succession of Thai SME family business transition and how succession planning would effect to the process of transition business to the next generation. Also, the research paper interested to identify causes of failure of the business transition which family business could learn and avoid being in the situation. In real life, operating business is essentially need well plan as sometimes minor failure is unacceptable which could lead company into severe and critical situation. This paper will help and guide family that plan for transition business on to the next generation by determining methods and approaches. This paper use qualitative approach by applying interview method, to be used as part of data analysis to answer the main research question of the paper. The results of the interview are based second generation successors of SME family businesses with age around 27-40 years old, from medium size enterprises. According to the interview family relationship, individual factors and governance factors are most likely related to success of business transition which related to succession planning process.

**KEYWORDS:** Family Business / Succession Planning / Strategy / Incumbent / Successor

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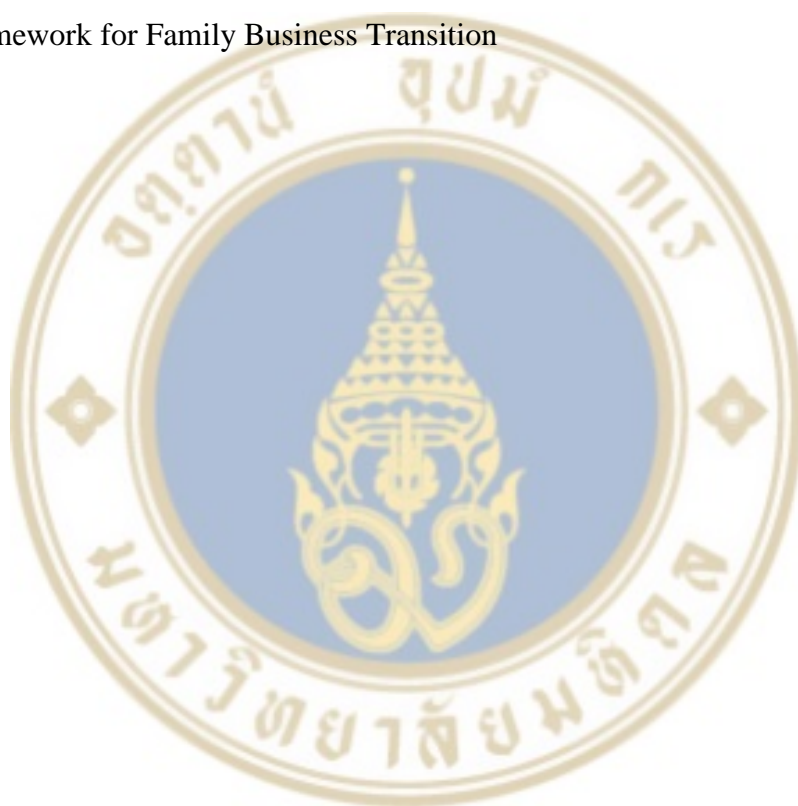
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## **CHAPTER I**

### **INTRODUCTION**

Family business transition is significantly important for a growing business and purpose of transferring business to next generation is wealth and stability of business. A family business usually defined as collaboration between two separate but connected systems. Mostly, family member such as husbands and wives, parents and children and multiple generations will involve in various business roles which leads to conflict of overlapping roles and problem of transition to next generation. In 1997 Thailand had more than 5,000 types firms including public limited companies (PLCs), limited partnerships, registered ordinary partnerships and branches which less than 10 percent belonged to public limited companies (Hebbard C., 2002). Moreover, more than half of family management have been facing critical situation such as bankruptcy, downsizing, and restructuring whereas public companies have succession plans for the extension of operations to be proactive for unexpected situation (Braidford P. al., 2014). Approximately, there are 70 percent of family-owned businesses fail or are sold before passing to second generation and only 10 percent be able to remain in the business and transfer to the third generation (Stalk G., Foley H.). However, most of public company success in operating business in long term since the company high management level will be operated for an average of six years which the company will be improve from various management skills and reduce difficulty of shifting technology and business model (Stalk G., Jr. and Foley H., 2012).

Failures of transferring family business to the next generation could be affected from internal and external factors which the internal factors believed to be problems between the family and external factors refer to change in environment of business. For internal factors, founder relatives might be unwilling to take control of the business since their education background, skills and ability are totally different

from business requirement. Also, some parents raise their children by giving them everything which some children never achieve anything by their own. Only sense of entitlement will definitely well define the situation which they are not get the sense of belonging in the company. Furthermore, lack of leadership skills can also arise from the way their parent shape up their lives which could leads to failure management of an organization. In some family, the older generation might be reluctance to release control to the next generation as they know how difficult it was to manage the whole business and do not want the next generation to torn down what they had established. For some parents, they spend most of their life working and start a successful business, so they do not have plan for retirement as working become part of their life. For external factor, reduce in sales growth from changing business trend and environment will lead to failure of business. Once the company is at mature state, the company will struggle in decline period which innovation and research and development will be needed. Without business innovation or cope with change in business environment this would cause financial hardship from current generation to descendant and would lead to failure from unsustainable of company financial.

A succession plan is considerably necessary for success of SME and family business which use as a tool to survive and grow in long term business. Succession plan combine of two processes which are management process and ownership process. The intention of the process is to allow family member to express individual decision for future management and ownership of family business. Effective succession plan might take a couple of years to draft and establish an effective plan, so a smooth implementation will lead to well-prepared beforehand to the descendant. The family will have to decide who will take charge as the leader of the company in advance to avoid conflicts in the future. For some family, succession plan is pending while company is operating in growth stage and do not consider as a critical issue, so they will wait for last moment of the prior generation. Selecting a right and appropriate inheritor will not be easy which prior generation will need to consider in advance.

Therefore, well prepare generation transfer planning will prevent business discontinuation and secure failure from transition of business.

For study succession of Thai SME family business transition, the research will be interest to explore how to make family transition success and what should be done to make the company survive to the next generation in long term. Moreover, the study will look for theory that would relate to the transition.



## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.1 The objectives of SME family businesses**

Family business can be described as an organization which manage by a member of dominant family which the family own more than 50 percent of the company shares and family members will take charge in all principle management position, so critical decision and company's policy will be based on the family (Mandl I, 2008). Each family firm will cope with different models of governance and management that suitable to each family culture. Moreover, objectives of family business mostly aim for a long term survival of a business in order to transfer business and wealth on to next generation which business will most likely lead to more long-term objectives for investing, expanding or innovating business.

#### **2.2 Factors related to the failure of SME family business succession in Thailand**

Thailand is one of the industrialized countries in Asia where economic growth is driven by family-owned firms. In Thailand the number of family businesses dramatically increased between 1882 and 1920 (Bertrand M. al., 2008). Most purpose of SME family business is to provide income (wealth) and then to transfer business to the next generation. However, generation transition conflict critically impact to failure of the transition. There are various cause of failures involved in SME family transition in Thai family. According to Chaimahawong and Sakulsriprasert (2012), personal factors and intra-family relationship are causes that possibly lead to failure of family business succession. Personal characteristic of both parent and descendant is the main problem

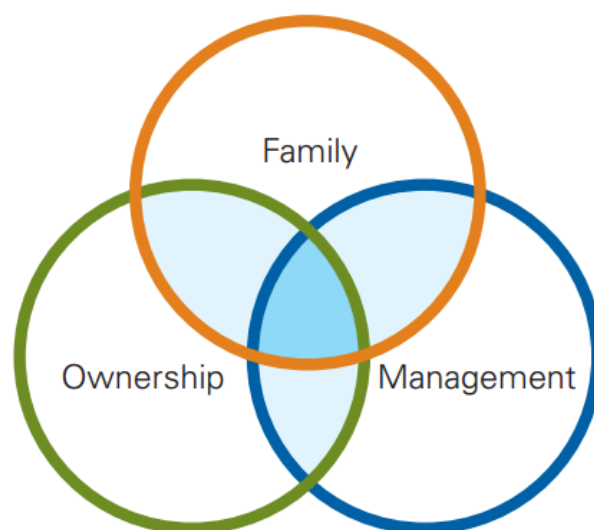
that will have an effect on the management of the company. Parent generation mostly applied pressure explicit and implicit to successors which first-born child will mostly be selected to be responsible for the business (Schwass, N.D.). Most parents believed that first born-child would have more skills and ability due to maturity without considering motivation and willingness of successor. As mention of motivation and willingness of successor, these factors have to be shaped up to achieve the goal. Inheritor needs to have necessary skill such as leadership and management to operate business which these skills will increase the confidence level of the successor and lead to higher motivation to run business. For example, the inheritor may not study in the field of management and usually will be guided by parent on daily life which might make this candidate under qualified in terms of ability and leader skill. Moreover, willingness of successor will be based on level of interest toward the business. When children are not familiarized in the business practice and history, they may not develop sense of ownership to operate the business in the future (Schwass, 2008).

Family relationship conflicts could lead to family business transition failure. Negative relationship between generations and family members will discourage succession of business transition. The relationship quality will be formed through vision and goals which the entire family should accept and follow in the same direction. The transfer of generational values and visions from parent to successor is imperative for a family businesses success (Tharawat, 2012). Most family businesses do not create mutual understanding about the future of the family business among parents and descendants, which may lead to conflict between them. For example, the family vision is to remain small and competing in local and existing market to avoid investing capital which successor might think in other way that they want to expand to international market. Therefore, this conflict could discourage potential successor to reject to run the family business.

## 2.3 Components of family business

To understand the main components of a family business, the three Circle Model can be best describe family and management (Walsh, 2011). The model comprises of the system of family, ownership and management which each circle has a distinct identity and dynamic that interacts with and impacts the other two circles. In order to make all three circles meet in the middle, the family component will impact on the management and ownership of family businesses (Enhörning P.al., 2012). The family will apply this model into business by identifying who goes where, who does what and how they do it which could help contribute better performance to company (Tagiuri R. and Davis J., 1982). It is significantly important for family business stakeholders to know which position in the circle they belong to. For management circle, it includes every people within the company organization chart. After all involved members clarify position they belong to, they will be able to assign roles and responsibilities to each position in the company. In each circle, it need to be effectively managed by implementing appropriate governance structures and systems such as planning, policies and code of conduct.

The family circle represent component related to family business which is uniquely different from nonfamily business. The model illustrates how each of the components correlated with each other and interact in the middle the three circles. At



**Figure 2.1** The Three Circle Model

the middle of the circle, the family business ownership and management are combined which show proper level of family involvement into ownership and management. However, in many family businesses, ownership and management considerably belong to the family members which actually the family has to manage each component effectively, so ability of managing family components will contribute the success of transferring business to the next generation since the company will set clear position for every member in the family (Walsh G., 2011).

## 2.4 Succession Planning

In order to develop succession planning, it is essential to learn the development of family business and different characteristic of each generation in the business. According to Family Business Succession Managing the All-Important Family Component, family business have to modify the management method along the generation and there are three phase in the lifecycle of family business with dissimilar characteristic such as founder phase, descendant phase and sibling phase as show in Generation Quantum Leaps (Schwass J., 2008). At the founder phase, all of the power and culture are dominated by the founder and all of the decisions about investment and assets are made by the founder. Moreover, sibling phase which can be referred to successors of the founder. During this period the power between the descendants are shared among sibling, so they have to compromise within the group. Environment of teamwork will be suitable to make effective workplace and work contribution within

**Table 2.1** Generation Quantum Leaps

	Founder/ The parent	Sibling/ Descendant	Cousins
Size	Individual	Small group	Large Family
Power	Control	Sharing	Separation
Change	Revolutionary	Evolutionary	(R)evolutionary

business to be more professional, since more people are involved. In the Sibling phase the family will need to concern about giving the right position to members that match with their particular skills, interests and characteristics. Also, people in this generation tend to have higher education level, so this will encourage revolutionary to improve operation efficiency by new competencies of involved members in the family. Finally, cousin phase is about diversity and power separation where company is large and expanded into branches, such that the company can be run by system. Therefore, in cousin phase the combination of passive and active members in the business would yield different needs between each group. Whereas passive owners will expect continuity of dividend without risky strategy, active owners will emphasize on expanding the business to generate higher dividends for growing family demand.

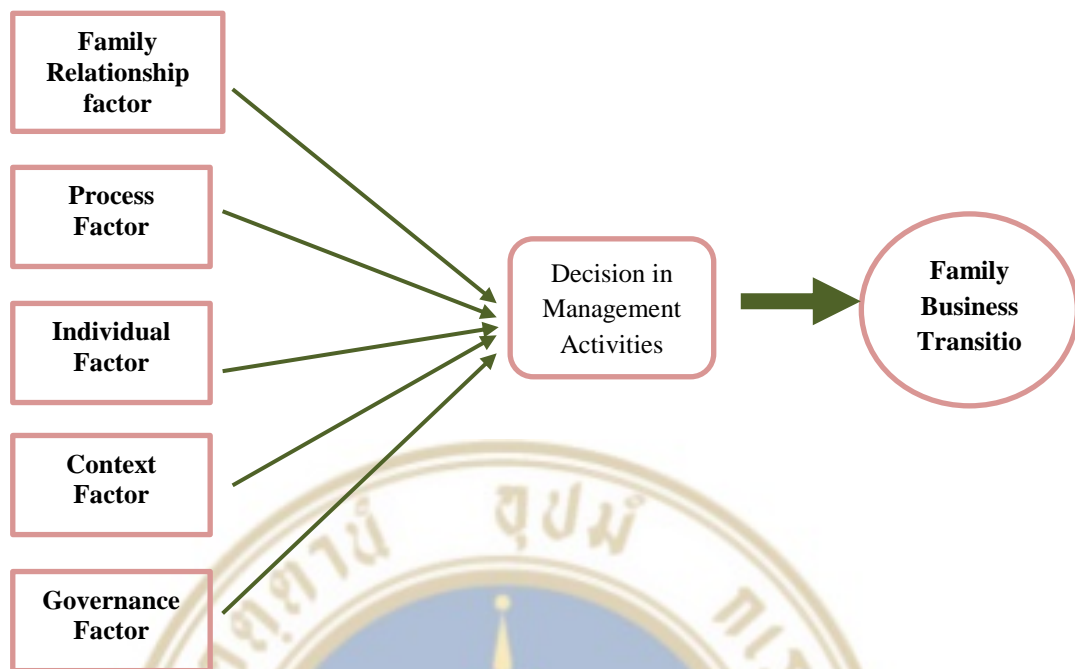
In order to make succession planning successful, the family needs succession activity to integrate family members into management. Family communication activity considers being essential part for family succession planning which include family business meeting, family council meeting and setting family business rules. The objective of the activity is to expect family members to make informed decisions about their individual and collective futures in the management and ownership of the family business which will pave the way for the effective management of the all-important family component. Therefore, the family business meeting involves family members who are active in operating the business, whereas family council meetings will involve all family members into the meeting which purpose of the meeting will yield different desire outcome. Family business meetings are meetings for family members working in the business where the family business meetings will discuss decision making and this will allow them to effectively carry out their roles and responsibilities. For family council meetings, the purpose of a family council is an opportunity for family members to learn more about the family business and allow them to express their views on family issues that impact the business. Within the council meeting, family have to mention a big picture issue to make effective meeting since the meeting is not a decision making forum but intended to inform,



educate and obtain feedback from the broader family on specific issues of interest to all family members.

## **2.5 Theory of Planned behavior**

Theory of planned behavior (TPB) describes and predicts of human behaviors across a variety of settings including factors that affect decisions about ownership and management transition. There are two main components of planned behavior which are cognitive psychology and subjective norms. Cognitive psychology is considered to be part of people conscious and decision making based on careful consideration of available information. In other word, people rationally make decision based on information they have access. In TPB assume, “a significant amount of behavior is under control of the actor which behavior can be predicted by understanding an individual’s intention to perform a behavior” (Leroy H., 2008). Consequently, intentions are motivation which individuals form intentions based on their personal attitudes and subsequently translates these intentions into action which attitude refer to affective response toward behavior (Mandl I., 2008). In order to develop intention to perform behavior, people will evaluate and prioritize belief toward behavior and the higher the belief the higher chance people will implement to behavior. Therefore when making decision to transfer of business based on cognition, people will consider personal attitude toward behavior whether result of behavior will contribute positive or negative value or transition purpose will generate more valuable to the successor. Subjective norm is the perception of social pressure to engage or not to engage in a behavior which social network include stakeholders involve in the business. People will intent to involve in a behavior when valued social network have positive evaluation toward behavior. Therefore, transition of business success will be effect from an individual behavior which effect from personal ideal of cognitive psychology and subjective norm (Ajzen I, 1991).



**Figure 2.2** Frameworks for Family Business Transition

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.1 Data Collection Method**

This paper will use qualitative approach by applying interview method, to be used as part of data analysis to answer the main research question of the paper. Therefore, the objective of this study is to create a qualitative research by using interview method to identify the level of impact of each factor on the effectiveness of the family business succession. The advantage of the method is to be able to concurrently explore the effect of both direct and indirect variables on the SME family succession performance. The interview method will be implemented with face to face interview which will allow accurate screening, capture verbal and non-verbal expression, and keep focus with interviewees. By applying Face to face interview the research would be able to gain deeper information from interviewees or successors of family business and interview method will convey detailed insights from individual participants. This will be meaningful for successors to convey the real experience, views, belief or motivation which will contribute a meaningful result to the research. Therefore, face to face interviewing will be able to explore factors or components that would effects to success of family business transition.

#### **3.2 Source of Data Collection**

##### **3.2.1 Population:**

In this study, the paper will select second generation descendants of SME family businesses in Bangkok, Thailand.

### **3.2.2 Sampling Size:**

Five respondents

### **3.2.3 Qualification:**

Second generation successors of SME family businesses with age around 27-40 years old, from medium size enterprises selected by number of employees and sales volume in the sectors of manufacturing and wholesale.

For SME family business transition, the research will interview SME successors whose age around 27 to 40 year old, since people around this age will have ability or readiness for business transition in terms of education level and maturity. This population target group would be able to explain and indicate some explanation of success family business transition since people at second generation during this age might have some experience that could be relevant to the research question. In the research, medium size enterprises will be selected within the manufacturing and wholesales sectors. For medium size manufacturing companies, employment will be around 50 to 200 people with fixed asset less than 200 million baht, while number of employee in the wholesale business will be within 25 to 50 people with less than 100 million worth of fixed asset (Poonpatpibul C. and Limthammahisorn W., 2005). These two business sectors will require a lot of management skills and leaderships roles, so the two sectors will be challenging in leading business as leader of second generation.

## **3.3 Research Design**

The interview will be designed into three sections, which approximately take 45 minutes time for interviewing, which will explore different aspects of the organization and relationship within family in order to explain research questions.

### Research question

RQ1 : What are the keys factors that lead to SME family business success

RQ2 : Succession planning does matter for succession of transferring business

## **CHAPTER IV**

### **RESEARCH FINDINGS**

In this chapter, the results of data collecting from five participants from SME family business succession in Thailand is collected and processed in order to discover factors for success in family business transition. The research was conducted by using interview method which involves five participants from family SME's that successfully transferred their business to the second generation, from different types of business. The research aims to find factors that lead to success of family business transition according to the interview.

#### **4.1 Participant 1**

For the first participant, the company is in manufacturing and distributing wires and cables, which company has operated since year 1969. The company was established by parents who had operated the business until year 2012 and transferred their business to their children after 2012. The company has a total of 100 employees between head office and factory. The family background is Thai-Chinese with total of six members in the family. The participant is the first born child and she is 37 years old with total of four sisters and all of the sisters are operating in the family business with different responsibility. All siblings will have right to choose which position they want to be responsible for, with the parents' agreement. For Education background, she graduated MBA in Melbourne, Australia. She decided to study in management because she stayed close to parents since she was young, making her think management would be significantly important for the business in the future. Achievement goal of the participant is to expand the business internationally and establish competitive

advantage in order to continue business growth, and to pass the business onto the next generation.

For the family relationship part, the family always spend time together, which the family has family trip at least once a year. The family trip will be held during the holiday period and everyone in the family has to join. She said working with family members sometimes torn down relationships, as problems will occur across departments or different decisions, so the family trip is the way to maintain relationships among family members. Moreover, family members are close to each other where sisters be able to consult with each other for both work and lifestyle purposes. For example, among siblings they still spend time together for shopping and hangout during weekend. Also, work life balance is also another important factor for family relationship, which she always tell all sisters that after work she does not expect people to talk about work.

For strategic management related to succession planning, she stated since she was young, parents always assigned work to each member to create sense of responsibility which she believe that this is the reason why everyone in the family has high responsibility. High responsibility for her is measured by effort and work performance among family members. Before the participant was responsible for the company as an executive manager, she learned all the working process and was trained by the parents. She had to attend meetings and work as a subordinate of her father for almost five years. Also the most important task she believes that it is important to become leader of the company is to learn about customers and make customers know that she will be the next successor, because earning customers' trust is another critical part. She contact customers to gain respect and trust to make sure that the crucial customers will still purchase products. After working for five years, the parents gave her responsibility for the company legally, which she holds the largest share with highest responsibility. The remaining shares are held equally by sisters. In the company most high positions are held by family members: four sisters take charge of all the significant position such as executive management, sales and human resource

department, finance department and family relatives response as a subordinate such as warehouse manager, production manager and distribution manager because she want everyone to learn the business operation.

## **4.2 Participant 2**

The company of second participant has been operating in the auto parts business as a whole seller for more than 30 years, since the company was established by parents as the first generation. The family background is Thai-Chinese, while the grandparents were originally Chinese. The family consists of five people including parents and three sisters with relatively close age. The participant is 34 years old and graduated with a Bachelor Degree at Thammasat University, Major in Marketing. After graduated, she worked as a marketing consultant because she actually wanted to be success by her own and to avoid problems that might occur from family business, as she has seen many problems from family business operation. Since working for a marketing consultant for four years, parents asked her to operate the company because the company had expanded in the domestic market and the business has to be closely monitored as the business transactions are complicated. As an oldest sister, this is what she has to response for and to help her parents reduce the work load, so she decided to quit the job and start working at the family business.

For strategic management related to succession planning, family members have right to choose the position that matches to each person which will be discuss among members about fitness to the position. Newly graduated sisters will be trained to learn the working process and principally work in every position during the training period. Moreover, for the ownership, the parents equally divided the shares among the three sisters which the parent arrange meeting where all the sisters involved. The parent intended to avoid problem among sisters and develop sense of ownership. However, as the oldest sister, the participant would take all the responsible for the company. In the company, the older sister takes the most important role, being

responsible for international trade and the overall management process as a company leader. Also, the family does not plan for employing high skill manager because the company still able to manage by family members. Also, all of sisters are willing to work for the family business because they all want to generate wealth and strengthen family business in order to compete in the competitive market and the participant said that the more effort she put on her work, the higher return she would receive. Also, the participant does have plan for company growth as she wants the company to expand for domestic branches in order to capture more customers. The company is currently setting up internal system to be more standardized, which all the sisters are helping and have the same goal for company succession.

For family relationship, the family has five people working together. Cousins are not related to the family business, but they will have to pay respect by visiting them once a week. The participant said that relationship among sisters is very close since they were young. Also, parents always teach that everything must be shared, so they rarely have problems between each other. The sisters studied in the same school and they all went to school together, so it was shaped close relationship among sisters. Also, they will discuss about learning material which they were teach and discuss which create trust and helpful environment among sisterhoods, so culture in the family is that younger has to respect the older one. Family also has some aboard trips and frequently celebrates New Year party for both family and employees. The family concern a lot on work life balance because the participants stated that she believe that people have to fresh up their mind by many ways and activity that she always does is exercise and travel.

### **4.3 Participant 3**

The company of third participant has been operating as an expertise rice exporter and distributor for almost 50 years, distributing rice internationally, such as to the Philippines, China, Malaysia, Indonesia, Brunei, Canada, USA, UAE, Australia,



and African countries. The company was established by the parents, initially operating as a small rice trader which distributed to small retail shops. Fortunately as low competitive market during that time the parent could expand the business and become well-known within the industry. The family has five people including the parents, one older sister and two brothers. The company belongs to the sister with the largest share amount, and the rest is equally divided among the two brothers. The interview participant is the older sister with the age of 37 years old. She already has her own family with 2 children. The participant husband does have his own business, so he does not involve in the family business. The participant graduated in Mahidol University International College major in International Business. After she graduated, she directly worked for family business with high determination, believing that the company would still be able to grow and expand the business line. She also intends to make the company to be listed in Stock Exchanged of Thailand.

For Strategic Management related to succession planning, the company is currently operated by the older sisters, while the parents were retired in the past five years. Most of the important decisions will legally made by her, but the parents still visit the company regularly to monitor the overall management. However, the parents currently are the consultant of the company because of their high experience which usually helps a lot for difficult situations. The company distributes domestically and internationally, with the company operations having two locations which are office and warehouses. Therefore, the company has lots of departments to operate international and domestic customers. The company has to employ skill employees into high management position such as human resource, sales managers and warehouse manager, but still the family members will have to monitor for overall operation and make decision upon manager analysis. Moreover, the two brothers are responsible for different department for the domestic market and the participant will take charge for all the international market and the overall company performance. Since the participant operates the business, the company expanded the warehouse to different locations in response to higher demand of rice. The company mostly arrange

business meetings once a week where family members could review performance and make suggestions and plans for future management. The participant said that in the past the family does not have management review meeting and it did create a lot of problems between family members from misunderstanding the purpose. The family business meeting could help reduce problem since people be able to express decision and decision will be make democratically by vote from the members.

For relationship within the family members, the participant imply that the relationship within the family is quite close to each other, but as she is the only one sister she will not really get involve much with brothers. However, since she got married, she does not spend time with family as much as before, so the family always spend some time in weekends together, such as during lunch time. Also, she said that two of her children fulfill the family because the parents are very enjoy the moments spend with them.

#### **4.4 Participant 4**

The company of the fourth participant is currently manufacturing plastic sheets and PVC which the company distributes products directly to customer and original equipment manufacturer. The company was initiated by the parent family in the past 50 years. The participant graduated in Chulalongkorn University, majoring in Economics. The participant was very intent to work for family business which she believe that working for other business would not provide better return than working for her own and she want to make the company strengthen in terms of market share and company standards. She believes that those accomplishments are task that the second generation have to continue from the prior generation which the parent generation did create chance for the company growth and had provide great opportunity to continue a business.

For strategic management for succession planning, the company operated by parent's family which the participant's father is the first born child with two sisters

and the parent's relatives response as a company shareholders without involving in company management. The parents of the participant did plan for the future of company as they usually took the participant to be familiar with the working environment and explain how important and value the company has to the family. The participant said that the parent's word did remind her that she has to contribute her best to the company. As the first descendant of the family, the participant takes charge legally as proprietor which in the future other inheritor could become part of the company owner. The selection of the company top management and owner has to arrange family meeting which include all the parent's relatives. As the participant is the oldest descendant with qualified background both education and experience, the family selected the participant to be the next successor. However the participant said that as a family she wants all of her relatives to manage the company which she planed that all of the relatives would be able to involve in company management in the future. The participant said that she want all the relative to work in the company since part of the family wellbeing are from contribution of the company and they would be very proud to flourish the company. The family already planned for other relatives to fill in the company management position which they would discuss about the position that could be match to each individual. The criteria of section mostly based on personality and education background.

For family relationship, the family is Thai-Chinese which including all of the father family lives together as two of her aunt's family stays within the surrounding area of her house. The family also has common fund from collecting of company profit and every two years will provide dividend for all members, which this fund usually be part of saving. Furthermore, the family will arrange meeting regularly for general purpose where people would be able to announce formal or informal event. For example, one family plan for house renovation which will affect other family privacy, so this event will need to be announced in the meeting to let other family know in advance. She said that living in a huge family communication is very important and the meeting would help prevent unexpected events or irritated

relationships within the family. Mostly, the family will spend time together during dinner time which it already become traditional of the family for gathering during meal. The family has a very strong relationship between each other which she is the oldest sister between five cousins and she also spend her childhood with two of her aunts. As the oldest sisters within the family, she is the center for all of her brothers and sisters. Most of the time when they have problem or need consultant, they usually talk to her where sometimes they choose to talk to her instead of their parents and she will usually consult with their parent later. The participant believe that good relationship between cousin would be more likely to contribute better work performance and she said that all the cousin respect and helpful for each other. Therefore, if all of the second generation works in the company it would create strong team work and the company will be impulse new success by the new generation.

#### **4.5 Participant 5**

Company of the fifth participant is in garment industry and the company has been operating for more than 30 years which was originated by the parents. The parents entered into the business as they worked in the small company as dressmakers and they attempt to be self-employed in order to gain more money. With high determination, the parent decided to started owned business as clothes wholesaler for five years until they learn a lot about the market, so they entered into garment manufacturing. The company began with a few employees until now the company expands the market internationally and domestically. The participant is the second born son, in total of three children. The participant has been working in the company for almost 10 years after he graduated with a master degree from Assumption University. The participant begins his working experience with the family company as he believed that the company still has a lot of opportunity to grow. Recently, the market is rapidly changed, so the parent might not be able to adapt fast enough to cope with the market which he think it might be danger for the company in long term. Therefore, he decided

to talk with the parent and discuss in position that he could help, so he start with manufacturing to learn and understand the process which he thinks it is the most essential part. He said that manufacturing is the core of the business, so he developed process to be more standard and systematic, so the company have strong fundamentals for future growth. He endeavor to make the company become top five garment manufacturer in Thailand which he has to develop technology for production and quality human resources to achieve the goal.

For strategic management to succession planning, the company is currently small and medium enterprise which the company organizes as flat structure. Therefore, the fewer layers of management, the more responsibility is required in each position, so all management level is response by family members and the participant began work as executive's assistant. Since the parent generation all the management decision mostly relied on the executive and team work was rarely in place, so employees worked from what they had ordered which he think it is the former management style. However, he struggled with the parent management style when he works in the company. He also said that this is the critical problem that he faced at the beginning which he believed in team work environment and employees has to develop skills by involving in decision making and has to be promoted for higher position as a motivation. He always discussed with the parent about management style in order to progress the company performance and become competitive within the market. He believed that the parent knew his intention to improve the company with capability, so the parent transferred all the responsibility to him. Furthermore, the participant is the only descendant to response for the company as the others two of his brothers initiated their own business with in the field of textile and garment industry.

#### **4.6 Synthesis**

From the interviews of five participants from different type of business in second generation, the success of business transition from the parent's generation to descendants has many factors which would influence different consequences. The data

can be analyzed that good family relationships, individual factors and good governance factors have impacted positively on business transition based on the interviewees' answers. More in-depth conclusions are provided in the next chapter below.



## **CHAPTER V**

### **CONCLUSION AND RECOMMENDATION**

#### **5.1 Conclusions**

The paper aims to find what makes family transition a success and what should be done to make the company survive to the next generation in long term. Family relationship, individual factors and governance factors are most likely related to success of business transition which related to succession planning process. Through the interview of five participants, strong family relationships would reduce uncomfortable moments when the family has to make critical decisions with family unity, they would be able to handle uncomfortable situations as people respect each other. Also, potential successors' willingness to continue family business will possibly take place when positive relationship exists within the family. The relationship usually has been shaped up since childhood to form quality family relationships. Furthermore, mutual understanding and vision about the future of the business there will be less conflict among them. Individual factor is another factor related to the success of family business transition as descendant willingness and the preparation level would have impact on participant decision to join the company management. The potential successor must retain self-confidence and managerial skills to operate the company. The level of interest of the potential successors toward the family business also increases readiness to commit to working for the family. Level of readiness could be trained or improved through training acknowledged from the incumbent, work experience from entry-level positions, and the number of years works with the family business before the succession takes place. Lastly the governance factor is essentially related to the success of family business transition. The governance factor referred to the fact that management positions in a family business are typically dominated by family members. Therefore, an appropriate family business governance structure is

necessary for the firm to survive in the long run. The family members have to effectively manage a family business to make a commitment to manage the all-important family component by arrange managements meeting regularly. Through such a communication forum, family members would be able to inform many multigenerational family members, which all family members essentially have to understand the expectations as they relate to the current and future management and ownership of the family business.

## **5.2 Recommendations**

For the research contributions, the findings of this research would possibly beneficial to family firms who plan to create effective succession planning which the research could be used as advice for both incumbent and the successor in order to simplify the business transition process and to avoid failures in family business succession. Recently, the environment of the economy is changing rapidly, so the SME must response fast enough to cope and learn fast enough to the change. Therefore, transition within the family business would increase chance for SME family to remain competitive in business, so the sooner the owners start the process, the better their chances for success. However, some families do not prepare a succession plan or delay the implementation which could cause serious problems to the company if the incumbents leave the business earlier than expected due to death, disability or illness. Lack of foresight for transition planning could possibly make the company be forced to sell their businesses at a discount to competitors or face the risk of business closure.

## **5.3 Future Research**

The paper would be useful to continue the research by applying in-depth interviews with family owners who are currently thinking of and looking for a succession plan to transfer the family business to their successors. The next research



might want to observe on how the process is being conducted and how they think at the moment before the decisions apply. Moreover, the future research would be able to obtain further information through interviewing family business consultants about their experience when helping during the succession process. Consultants would generate and facilitate more insight information of how family business owners make decisions about whether to engage in the succession process. Furthermore, the information obtained would be interesting to continue research on descendant's transition choice by comparing to various other countries and how family businesses behave in different cultures.

#### **5.4 Limitations**

Within the limited time frame, the research has not discovered some beneficial findings in the study of family business succession and there still has some limitations to the research that must be observed. Firstly, the paper only focused on the study of small and medium enterprise family firms within Bangkok, Thailand. Consequently, the research is strictly in the location of Bangkok, which would potentially make the study less appropriate or applicable to other cities, so the research might have to obtain information from different locations. Secondly, as the research uses interview methods, the participants might not reveal unpleasant moments of the family and some information might be distorted. Thirdly, more data collection in the research might be required to strengthen the result, but due to limited time it was not feasible to gather more information, so the paper obtained qualitative generalizations rather than statistical information. Also, the difficulty of arranging the interview is another reason for few data collection as some participants are unwilling to disclose private information. Lastly, the research is concerned on SME family businesses without considering the diversity in culture in each family, as some families are Thai-Chinese and others original Thai, which might influence the result.

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APPENDICES

## APPENDIX A : Interviews Questions

### Part 1: Respondents background

- Family background
- Education Background
- Personality of the participants
- Achievement goal and reasons

### Part 2: Family relationship

- Relationship between family members
  - Eg: How they spend time together within family
- Family has any rules for family to distinguish between work and life
  - Eg: Balance work life balance
- Do family arrange meeting regularly

### Part 3: Strategic Management related to succession planning (Process)

- How are people selected to each position in the company
- Identify family criteria for selection
- Do family members take charge for high level position
  - Eg: All management positions are taken by family members, or any employee with high experience

### Part 4: Individual Factors

- Are family members interested in continuing and managing the business? why?

- Do 1st and 2nd generation family members agree on the company vision and strategy?
- What make you decide to inherit the family business?
- After you take charge as the leader of the business, do you parents still advice for day to day operation or you have to decide everything individually?

#### Part 5: Context Factors

- What is the company plan for growth after you take charge in the business?
- After second generation working in the family business, is there any improvement or change and how?

Eg: Generate higher sale volume, working environment or any changes

#### Part 6: Governance Factors

- Does the family have any policy that everyone has to follow?
- Does the family has to vote for any critical issue related to work or family let the leader decide ?
- Does the family regularly arrange meeting for reviewing business performance to all family members?