DIGITALIZATION CHALLENGES IN THAIS FAMILY BUSINESS



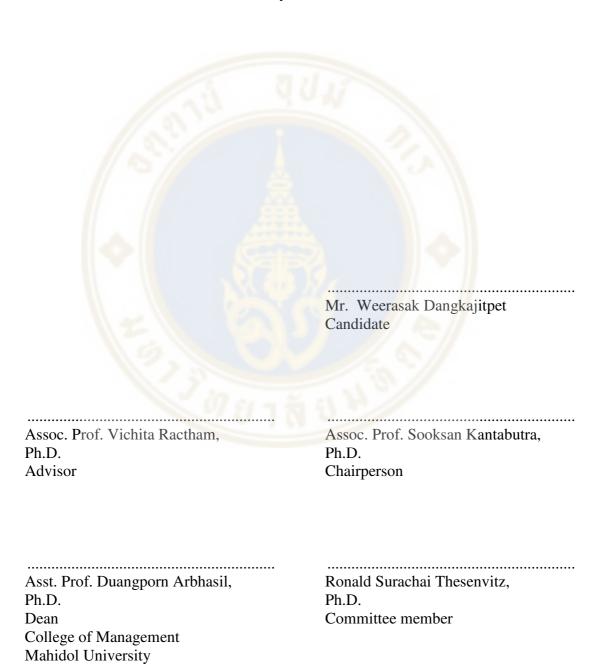
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DIGITALIZATION CHALLENGES IN THAIS FAMILY BUSINESS

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ABSTRACT

This study captures a variety of family businesses in Thailand as a consequence of intention, which may help the family business to plan the future. The study adopts the factors of the successful family businesses to the business innovation and digitalization framework.

The result shows that most of the family businesses last only one generation and only one third can be successfully transferred from generation to generation. Furthermore, some of the specific family businesses have not been transferring further through digitalization due to internal and external factors. The business model, digitalization leadership, digital activity, stakeholder and investment plan are essential factors to drive family businesses. This research helps the family businesses to identify the consideration that they need to drive the businesses through the digitalization era.

KEY WORDS: Family Business/ Digitalization/ Digitization/ Family Business
Transfer/ Business Model

45 pages

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CHAPTER I INTRODUCTION

To survive in nowadays economic environment, family business must be able to adapt quickly in many circumstances. The family business has to take externality and customer mindset into consideration in order to compete with others in a dynamic market and to cope with uncertainty. The family businesses can be considered as the backbone of Thailand economy. The family businesses in Thailand have been increasing rapidly and continuously. The total value of family businesses in Thailand in 2018 was 28 trillion THB, which was approximately 72 percent of all businesses in Thailand. In addition, more than 50 percent of companies registered in SET in 2018 was family businesses which manage by family members. According to Forbes Thailand report, the companies operated by family members lacked professional. Therefore, developing professional in those companies is a challenging problem in the area of business management (Siow, 2019).

1.1 Problem Statement

In most family businesses, the authority to make decisions belongs to the early generation. Inequities among family members play a vital role in business management. Another factor that causes a failure in business is there is no preparation for next generation leadership. As a result, the owner of the previous generation is not confident in the next generation owner. In the long run, the family businesses tend to exit the market (Beelen et al., 2017). To solve such problem, early generation owner has to open a window of opportunities to the next generation to prepare for a suitable successor (Jaffe, 2003). The owner has to manage the business more flexible and be ready to change the strategy concerning externality factors. The owner should not limit his/her business in only one domain, but he/she should look for collaboration with other businesses in other fields so that the company can grow sustainably.

Under today's economy, running the family business is complicated because the decision that owner makes affects not only the business itself, but also the relationship among family members. Most of the family businesses last only one generation and only one third can successfully transfer from generation to generation. This is because most of them lack of effective communication and transparency which are the primary obstacles to the family business transfer, the business direction is not set from the beginning, and the businesses faces complex and difficult circumstances such as unpredictable situations, trade barriers, cyber-attacks, and disruptive technologies. This study will raise the issues of family business-critical problems in the digital age (Kilkki et al., 2018).

Technology is one of the most common thing that enterprise businesses have already implemented. Thailand government tries to shape Thai business to industry 4.0 (Danssen et al., 2020) which refers to advance technology, for example, advanced robots (RPA), internet of things (IoT), drone, quantum computing, nanotechnology, 3D printing, big data, artificial intelligence (AI), cloud computing, augmented reality and edge computing. It is also included the process of business, for example, communication, responsive to society and decision making.

The main problem of family business is the lack of innovation and resource (Miller et al., 2014). The family business should be aware of digitalization that comes to disrupt the business. The digitalization is the process of using digital technology to change the business process (ProcurementIQ, 2017).

To succeed in this era, family business should think overall business strategy, social impact and technology operation. This paper recommends the family businesses to leverage Thailand 4.0 as a priority, improve their businesses, and distribute the benefit to society. Digital technology which has a broad range of three terminals including digitization, digitalization and digital transformation is one of the new approaches

The digitization is the process of converting analog formats (i.e. documents, microfilm images, photos, and mails) into digital format (Lee, 2014). The terms of digital format can be referred to scanned documents, scanned pictures, files, or emails. The digitization also includes the process of using the computer system to store data in digital format, for example, locating data, recording health, and recording identity card.

Digital transformation is the process of using digital technologies to modify or create new business process and culture to meet changing customer needs.

The digitization, digitalization and digital transformation are often included in the process of improvement and adaption to existing businesses. In addition, designing a new way to add value to products and services can help family business run smoother and more effective. Digitalization impacts on external parties. It helps all processes which use computer technology to transform and improve performance. According to KPMG (Wu Hong, 2017), about 25 percent of family businesses do not concern about digitalization and do not fully understand about the potential of digital transformation, whereas about 75 percent think digitalization and e-commerce will help the business transformation. The results indicate that the family businesses which are still responsible for the day-to-day operation of the company with a non-digitalization process are risk to leave the market in the future. The integrated frameworks in this study are detailed in strategic of the digitalization potential based on Gartner's research with six combinations, i.e., ideate, create, engage, offer, monetize and Adapt (Waller and Aron, 2014).

1.2 Research Question

This research will capture most of the family businesses in Thailand as a consequence of inattention to the problems in their businesses. There are only a few researches about digital transformation in family businesses. Therefore, this research focuses on digital transformation to help the family businesses before they fall into the disruptive technology era.

1.3 Research Objective

The objective of this study is to help family businesses to be aware of the digital transformation. This paper describes the framework from the best practice from international companies (Waller and Aron, 2014) following by the companies in Thailand those have already implemented the digitalization to see the potential and outcome existing in Thailand. The study adopts the factors of the successful family

businesses to the framework. The results are expected to help the family businesses, which might be disrupted by technology and might not survive in the long run, to identify the consideration that family businesses need to drive.

1.4 Expected Benefit

The study will analyse the digitalization problems using qualitative method (Mack et al., 2005) based on interviews with interviewees whom are a part of the family businesses to gain benefit and acknowledge the list of technology factors which can disrupt the family business.



CHAPTER II LITERATURE REVIEWS

This chapter describes the approach of finding the theories and literatures to support this research. The literature reviews are focused on family business backgrounds in Thailand as well as challenges in terms of technology, effects of industry 4.0 in Thailand economy, key business and frameworks from the best practice companies, and new model of business innovation and digitalization framework mapped with the best practice of family businesses in Thailand.

2.1 Family Business Backgrounds and Challenges

Every family business needs to maintain market shares sustainably. Technology is one of the crucial factors that drive the businesses successfully. Each family business also needs to have its platform to manage and maintain the business by introducing technology to the business. According to KPMG research (Wu Hong, 2017) as shown in Figure 2.1, the main challenges of the family businesses are digitalization (about 64 percent). Digitalization is a tool that can be the strength of the companies in this era. This can be seen from the successful enterprise companies which have fully introduced digitalization to their businesses. This research will describe how some family businesses shaped digitalization to their advantage. The barriers of family businesses which discontinue the businesses because of digitalization are formalization, too strong mental model, emotion attached to things, limited resource and political in the family businesses (Głód and Głód, 2017).



Figure 2.1: Main challenges of family businesses (Wu Hong, 2017).

2.2 Thailand 4.0: Evolution of Thailand Economy

The evolution of industry 4.0 is the fourth of changes in the process and system of the technology industry (Howard, 2018). Industry 4.0 is the integration of manufacturing by connecting everything using the internet connection and communication in every production process. The production process includes raw material, machinery, tool, equipment, automation, and robot. The relationship between industry 4.0 and consumer will produce a variety of products to serve customer needs. In terms of the family business, there will be specific needs of each customer that is likely to customise. On the other hand, mass customers are served by a big company.

Thailand 4.0 is one of the models for the evolution of Thailand economy (Jones and Pimdee, 2017). Thailand government creates the model to develop the economy by transforming the production structure and basis of the wellbeing of Thais. Number 4.0 indicates the level of economic development in Thailand. Thailand economy has been developed from 1.0 - 3.0. Recently, Thailand government announced the policy to drive Thailand economy to fully integrate with 4.0 (Wiboonyasake, 2018). This policy is to drive a new set of business growth, including family business, allowing the business owners to have more high-income, reduce the import of technology and create balance by relying on changing commodities to innovative product. Creativity,

innovation, technology, research, and development will help to expand the advantage to become a more competitive advantage.

Digitalization is a part of Thailand 4.0 to support the processes and business activites. It can help family businesses to increase the value of products and services. Thailand 4.0 has three main objectives: to drive Thailand being a country that is wealthy, stable, and sustainable, to drive the economy by innovation, technology and creativity, to create synergy of all sectors aligned with the policy that connects with the business alliance network.

To succeed in the implementation plan, the government will empower the approach that focuses on the private sectors, people, banks, educational institutions, and research institutions. Thailand 4.0 is also promoted to SMEs, startups, and family businesses in the country to join in the same direction (Louangrath, 2017). Quality communication and telecommunication structures are supported so that Thai people can access the internet as much as possible and all sectors can have connection seamlessly. The goal to move forward to newer things and a brighter future will be achieved according to the cooperation of all industries including SMEs, startups, and family businesses. However, the family businesses should open about technology and use suitable technology to develop and drive companies faster without losing business opportunities. Moreover, the owner should support every aspect of training and should support employee skills to think, analyse, and solve problems. The employees in the family businesses can work with others and have a service-minded, thought resilience with encouragement and confidence. This small image can become a big picture of the way to succeed.

2.3 Digital Transformation, Digitization and Digitalization of Family Business: Key Businesses and Frameworks

Today's world is increasingly connected according to digital technologies, i.e., digital transformation, digitization and digitalization. The business that introduces digital technology to the economy can maintain its competitiveness in the market sustainably.

Digital transformation is the creation of a digital business to conduct technology into many channels in the company. It may change the form of the business transaction to a new market or new target (Ashwell, 2017). The digital transformation is the innovation that connect data to people. It allows people to interact with technology. The family business needs to adapt the digital transformation process to recognise the behavior of customers those always change. However, digital transformation cannot be developed without the process of digitization.

According to Gartner's business model focused on six combinations (ideate, create, engage, offer, monetize and adapt), it was recommended that family businesses should increase using technology and digitization in terms of transaction to improve business performance (Waller and Aron, 2014). The capabilities of the owner of the family business are also necessary. The owner should have digital leadership to support the team and the company.

Human accept that the Internet of Things (IoTs) are widely used in everyday life, for example, drone, smart light switch and mobile robot (Patel et al., 2016; Riahi, 2018). Most of the big companies still gain the benefit and knowledge from digital and understanding the competitor advantage. The elements of digital transformation are digital technology, people, data, and interrelationship. The digital process needs technology to make it easy to collect, discover, store, share, exploit, and secure data (Ashwell, 2017). Data mining and analysis also provide the interconnection between data and data to see the pattern that we can forecast the future.

Digitalization is one of the main directions of Thailand 4.0 policy. It will drive the economy to create wealth, safety and sustainability for the country in the long run. Digitalization can help the business to improve and transform business transactions, business functions and business models by leveraging digital technology into the knowledge or actionable that can be the digital environment. Figure 2.3 shows the transformation of digitization, digitalization and digital transformation (Anchalikasite, 2017).

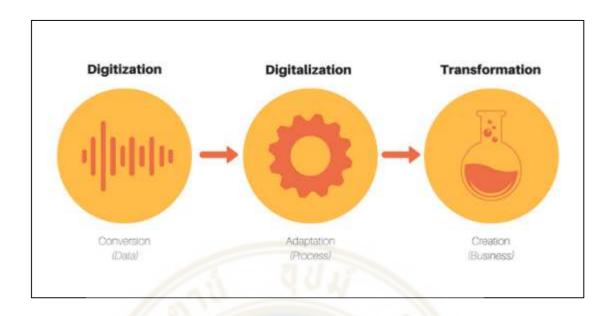


Figure 2.3: The transformation of digitization, digitalization and digital transformation.

The allocation of budget to support technology in the family business is also the key to drive the business into digitalization. Allowing the budget to drive business innovation will help the business competes in the market. Most of the family business innovations can allow their businesses to contribute the revenue. According to Deloitte's research (Khalid et al., 2017), the investment of today's innovation can become tomorrow's operating expense. Regarding the report, companies invested 16 percent in business innovations as shown in Figure 2.4.

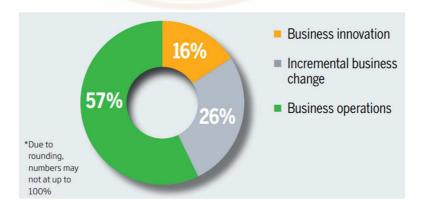


Figure 2.4: Allocation of technology budgets.

Digitalization is considered because most of the family businesses are still not sense to reach the next level of digital maturity effect to their business. Digitalization rapidly changes the market, customer attitude and customer expectation. Disruption forces the new technology to contribute to business faster. It is essential to start digitalizing (Lee, 2014). Digitalization is the megatrend that affects the family businesses consequently.

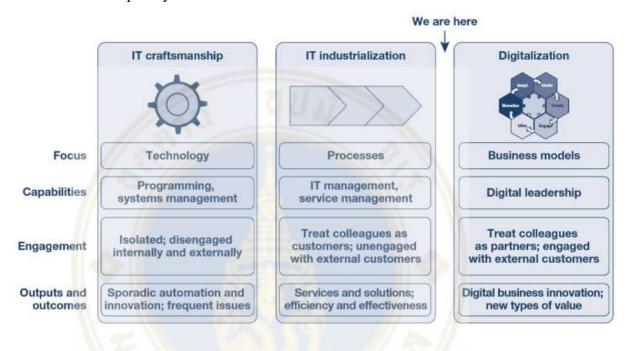


Figure 2.5: Digitalization framework (Waller & Aron, 2014).

As per digitalization framework shown in Figure 2.5 (Waller and Aron, 2014), this study divides the factors of the successful businesses into four categories as follows:

I) Focus on business model.

To focus on the business model is to emphasise on the value proposition (Vermeulen, 2018); the business should focus on people, not only one customer or one employee. The concept is to enable the trade-off about knowledge and innovative ideas — the opportunity is not about emulation but about creating value to support the third party. This factor will allow learning in the new business idea in a different dimension.

II) Capability of digital leadership

Leader or owner should think in a new way about the organization. Moreover, owner should think about the platform to support the workforce to everyone in the family business. In the transformation, owner should think about the impacts in the long term to build a new foundation for enhancing the capability of the company (El Sawy et al., 2016).

III) Engagement with colleague and external customer

Potter reported that third-party, which could be internal or external, would become a part of the ecosystem of the family business to support the product and service along with the business model (Potter, 2018). To understand the business process that needs to fit in the digitalization, the family business should understand the ecosystem and apply the method to the third-party with a high level of management skill.

IV) Outcome of business innovation and creating a new type of value

The last category is the output of the business innovation that the family business already built to transfer a new value to the customer and employee (Davila et al., 2014). A further standard innovation is to change the technology or develop new technology. To change a new value of business, it needs to clarify to the third-party about what is the change of the business. Also, the family business should protect its value by enhancing the value proposition and focusing on the cost. The family business should bundle value-added to the product and service to customer to let them perceive the value as default. According to the digitalization framework, digitalization is the way to transform the business model more than the way to keep data and information (Waller & Aron, 2014). The communication and engagement in an internal and external to get information bring the new idea. The most important thing is to change the owner mindset to be digital leadership. All of the above reasons will provide an outcome of business innovation and will create a new type of value to the business and community.

2.4 Best Practice of Family Businesses in Thailand

Most successful family businesses have already identified the focus of digitization. According to the above factors, the digitalization process is developed and tested by the family businesses. Most of them observed the importance of digital transformation in their businesses. This study will provide the examples of some successors of the family businesses those are aware of digitalization and use it to drive the business. The cases will be picked randomly from any size and any generation found before curtain year. The research case studies will give an examples in many industries, for instance, retail industry, financial industry, food industry and cosmetic industry. The examples of the family businesses include Glazziq, Super Rich, Cha Tra Mue, and Srichand.

2.4.1 Glazziq

About 50 years ago, Better Vision which was the old brand of Thai eyeglasses with 54 years was rebranded to Glazziq by Parinda Pracharktam who is the third generation of this family business (Rungrodchana, 2019) — the first owner generation was Sawang Pracharktam.

This business has been transformed from old business model to a new business model. The offline activities were transformed to online stores. One of the challenges of Glazziq is preparing a backend system of website to support the use of customers. Glazziq creates a good experience in all aspects of the customer. The website of Glazziq has filter system to help customer find a pair of favourite eyeglasses using machine learning which studies customer preferences and provides the individual display of each type and favourite shade (Lemm et al., 2011). Moreover, the website shows the complete details of eyeglasses with 180-degree as well as a photoshoot style of dressing to match the clothes with the model. These features are developed to customise the pair of glasses, frames and colour lenses to suit customer styles.

2.4.2 Superrich

Superrich brand has the largest market share in the currency exchange industry in Thailand. 49 branches distribute all over Thailand including SPR Superrich, Superrich (Thailand) orange, and Blue Grand Superrich (Taokaemai, 2019). Superrich

was founded by Mr. Tang Kao Tia. At that moment, Superrich conducted a currency exchange business in the area near Ban Mo, a gem trading business. Then, the second generation came to run this family business. Superrich has three mainlines of businesses because the family members have different management policies (Tummy, 2019). Each mainline of these businesses became the competitor of each other. They transformed their businesses from offline to online using digitalization (Tumaorn, 2017). To support customer digital lifestyles, they changed the way to communicate with customer into online communication using the application and offered online promotions by linking to exclusive partners.

Superrich has mobile application for customers to check and compare rate of currency exchange in real-time. However, there were some challenges during business transformation using "Lotus 123 software" to digitize paper into a spreadsheet (Bosetti, 1990). Employees could not adapt to the transformation and resisted it. Superrich solved this problem by being a partner with other businesses to make the business stronger than before.

2.4.3 Cha Tra Mue

Cha Tra Mue, founded in 1945, is a business in manufacturing and selling tea in Thailand (Srivilas, 2017). Currently, Cha Tra Mue has a market share of 70-80% in the tea market in Thailand. The business is run by the third generation owner Proudnarin Ruengritdech (Mahamith, 2016). At the beginning, Proudnarin faced the problem of brand image. Then, she thought of a strategy to revive the old brand that used to feel old-fashioned to come back to life by revitalising the brand during the battle of the beverage industry. She succeeds in creating the phenomenon of "rose tea" and "Thai tea soft serve" which requires more skill in communication with customers having more complex buying behaviours.

The challenge of this family business is promoting the brand to the customers. In the olden days, the tea brand delivered the product to the merchandise. The product itself could not sell to the customer without a commodity that impacted sales directly. Nowadays, consumer behaviour and purchase are more complicated. The product can be sold online on many channels. This make the family business more complicated. Communication with consumers is the only way to narrow the circle of

consumer behaviour in this era, which the online trend is impacting on people. Cha Tra Mue has a Facebook page but, at the beginning, it had only ten thousand likes. This was because it had no one to manage the page directly. Until the rose tea fever phenomenon, Proudnarin started studying how to make the page better. She observed that the online trend was coming. She decided to form a team for online supervision (Muangngam, 2017). Proudnarin reformed the strategy to online business and used the online market as a new channel to let the product run online as viral trends.

2.4.4 Srichand

About 70 years ago, Pong Haan-Utsaha founded Scented Srichand Powder which was rebranded to Srichand Cosmetic. After Rawis Haan-Utsaha (Pong's grandson and the third generation of Srichand) became the CEO of Srichand Cosmetic for 5 years, he found that this family business was still operating without using a computer system like 40 years ago. He decided to improve the processes and systems of the business using computer system planning various strategies. Nowadays, Srichand has been accepted by both Thai and international markets (Dasri, 2015).

In the first step of improvement, Rawis faced the culture shock problem that employees could not adapt. Thanks to Rawis likes to read a book, he found the useful book "Leading Change". He used what he leant from this book to make the change of his organisation. This book describes the process of change. Vision is significant because it will inspire people to take action. The most valuable thing in the organization is employee. People work not only for money, but also for living a great life (Institute, 2015).

In terms of consumer, Rawis admitted that consumers were very sophisticated. The content that will be presented to consumers must be clear. The marketing team must choose the right way to communicate with both offline and online consumers correctly. Online marketing has the advantage of being able to reach the target group. However, consumers can skip advertisement or content they are not interested in (J., 2019). Therefore, advertising still needs both online and offline, for example, TV and radio. Moreover, the online marketing should also focus on the packaging while compressing the campaign on social medias which have prepared both influencer and blogger to co-create campaign with consumers, following the trend of

carpeting on Youtube (Uzunoğlu and Misci Kip, 2014). Advertising will help to create a brand image of products and make it easier to remember (Jindamanee, 2016). Srichand succeeded in online advertising. The feedback was better than the expectation. People liked and interacted with each other. In just seven days, the sales surprisingly increased 20 times (Pigabyte, 2016) without any further promotion.

The challenge of the business is to create data culture environment in the business including tools, technologies, and work processes (Thailand, 2019). Importantly, the data culture is not only the technology team but also everyone's work as teams, partners and customers. The data can be used to make decisions about releasing products more efficiently.

Digital transformation is a compulsory subject that cannot be avoided. The big goal of doing digital transformation is to lead a change into the organization. Srichand is the organization that has been doing digital transformation for many years. The owner of this family business invests in data structure and customer data storage continually. To find a way to maintain long-term relationship with digital customers, Srichand invested more in the data structure trying to look at customer data collection to gain more insight and understand customers. Srichand also invested in new tools that will be used for digitalization such as the development of data collection and analysis of valuable intelligence business (Negash and Gray, 2008). The data culture helped Srichand made the entire data project easier. The data that Srichand collected helped the manager to make decisions in the workplace accurately and quickly. It also helped the manager to forecast demand of customers in advance. Srichand used data visualisation to communicate and analyse data in terms of graph or image to see the relation of data.

Transferring the ideas to an employee using digital communication can be made via many channels such as Facebook Workplace (Mak et al., 2012). Facebook Workplace is used for communicating within the organization to inform employee informally. Srichand emphasises internal operations, which must encourage employees first. Previously, Srichand digitized all hard copies into Excel which is an easy system (Fylstra et al., 1998). Nowadays, Srichand decided to use SAP system, which takes a long time to process but it can generate the report more accessible as Srichand needs to generate the report every week.

In conclusion, 4 best practice family businesses (Glazziq, Super Rich, Cha Tra Mue, and Srichand) had the same management style at the beginning. Then, the new generations of those family businesses changed their business models to be more innovative. The products and services were also developed to meet consumer needs. Table 2.1 shows the comparison of digitalization frameworks of 4 best practice family businesses. The factors of digitalization are categorised as high, medium, and low.

Table 2.1. The comparison of digitalization frameworks of 4 best practice family businesses

| Business Factor | Focus on the business model | Capability of digital leadership | Engagement with colleague and external customer | The outcome of business innovation |
|--------------------|-----------------------------|----------------------------------|---|------------------------------------|
| Glazziq | High | High | Medium | High |
| Superrich | Medium | Low | Medium | Low |
| Cha Tra Mue | Medium | High | High | Medium |
| Srichand | High | High | Medium | High |

This study determines the samples of the family businesses in Thailand. The digitalization is the way to change from the old fashion model to a new innovative model. Most of the family businesses have to focus on three main changes including business model, digitalization leadership, and communication. This study develops a new business innovation and digitalization framework generated from the best practice family businesses in Thailand corresponding to the digitalization framework.

2.5 The Business Innovation and Digitalization Framework

The process of business innovation is to combine the business model, communication, digitalization leadership, and digitalization activity. The family business needs to be agile and flexible to survive in a high competitive market. The business innovation and digitalization framework is shown in Figure 2.5.1.

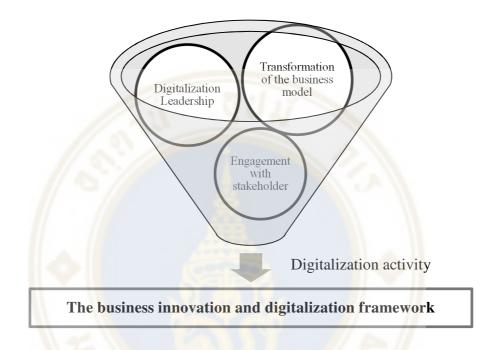


Figure 2.6: The business innovation and digitalization framework.

According to the business innovation and digitalization framework, four disciplines are claimed to be the factors that the family business needs to follow if it needs to survive in the digital era. This study will use these factors to determine the business. In addition, more details about business innovation and digitalization in Thailand are described in the following topics.

2.5.1 Online Service

Nowadays, people can access various online medias easily and quickly according to the internet. The use of the internet is considered to be the main activity in the daily lives of most people playing social media, searching for information, checking email, watching television, or listening to music. Many businesses are turning to E-Commerce to reach more customers.

2.5.2 Online Community

Community is one of the most important impacts on people in everyday life. Today, the online community is also used for digital marketing because most of successful businesses are using the online community platform. The platform can be a system or tool that can generate the report for the management team.

2.5.3 Data Analytic

Data is in high demand since the emergence of technologies such as the internet and mobile phone. A large amount of data can be the growth of business that drives the organization to be aware that data is sent every second. The organization needs to be able to track and collect various information that is beneficial to the business. Information science will influence the future world economy. Data can be transformed into the process of digital data that can be used with both internal processes and external parties.

In conclusion, the business innovation and digitalization framework is the primary framework for family businesses to determine their business compared to the best practice family businesses in Thailand. Therefore, a few examples collected from the best practice family businesses also shows the relation to the digitalization framework. This study will investigate if their specified factors match the digitalization framework of the family businesses in Thailand, or the family businesses offer more success factors than four disciplines those contribute to the digitalization achievement.

CHAPTER III RESEARCH METHODOLOGY

The purpose of this study is to examine the factors which drive the family businesses in Thailand to survive during digitalization. The scope will follow the framework and the list of factors collected from the successors from the family businesses. This chapter describes research methodology, explanation of study population and sample, and data collection.

3.1 Research Approach

The Qualitative Methodology technique (Mack et al., 2005) is used to answer the research questions in this study. This study develops the structure in-depth interview with boards of directors of the family businesses, owners of the family businesses, councils of the family businesses and external advisors of the family businesses. The interviews conducts as a formal interview or casual interview by an individual to help researcher have as much as the insight that can gain from the interviewees.

Regarding the business innovation and digitalization framework, this study uses a framework to develop and analyse data. The questions are mapped into the characteristic of factors which gain from the successful family businesses. Thus, the questions are open-ended questions to give interviewees opportunities to answer the questions in their word, mind, or thought, rather than forcing the interviewees to answer the closed-ended question.

The in-depth interviews conducts into two phases. First, the interviewees answer the questions about the family businesses to know their position and gain overview information about organization structure, regular work and process about digitization, digitalization, or digital transformation. The interviews in this study do not focus on the company name or related information that the interviewees can not answer

because of essential or confidential information. Second, the interviewees answer the questions developed from their answers to the questions in the first phase. The questions in this phase are about digitalization and digital Transformation. The interviewer develop the questions by analysing the positions of the interviewers in order to achieve in-depth answers on their duties.

3.2 Study Population and Sample

This study collects the information and data from 25 owners of the family businesses in different generations and different sizes. The selected interviewees are from the boards of directors of the family businesses, owners of the family businesses, the family councils, and external advisors of the family businesses. According to the research questions, the interviewees are randomly selected from the populations mentioned above.

3.3 Data Collection

The list of open-ended questions developed and populated is based on the necessity of finding a family business study. The developed questions enable the interviewees to be prepared to answer the questions. It is a benefit for the interviewer in terms of controlling the direction of the subject and time management that will gain the most effective for both interviewer and interviewee.

The questions used in the interviews are as follows.

- -Do you find any potential digital technology that can help your business?
- -Do you have any leader that drives the innovative idea?
- -How do you communicate or transfer the new idea?
- -What is the obstacle that you are currently facing, and how do you manage?
- -Do you use any technology in your company?

- -Why do you think digital can be the potential investment in your business or the technology factor that you may dream about to help your business?
 - -What is your plan to have innovation or digitalization in your organization?
- -What is the digital business area that you need to improve in the next five years?

Moreover, to ensure the validity of data, the probing technique is adopted. The probing question is asked as a primary question to find out more information that concerns in developed question area. Therefore, the probing question cannot be a standalone question that cannot get some more idea about this study. The developed question can refer back to the business innovation and digitalization framework.



CHAPTER IV DATA ANALYSIS

In this chapter, the qualitative methodology is implemented to the new generation owners of the family businesses. 25 owners in the focused areas are included in this study. Therefore, the scopes of the study are generated from sample sizes in many segments and industries. A better understanding of the common factors which are developed in chapter III is included in this chapter. The business innovation and digitalization framework is the primary filter of this study. The developed framework will fulfil the different points of view collected from the family business owners.

The results in Figure 4.1 shows that 60 percent of family businesses in Thailand are in the second generation. 32 percent are in the third generation. Only a few family businesses operates in the fourth generation. All of the young ages in the current generations perceived that the knowledge was valuable for the family business. The questions are focused on four main factors; transformation of the business model, digitalization leadership, engagement with stakeholder, and digitalization activity. This chapter explains and analyses each element that affects on the family businesses and the correlation of value collected from the interviews in details. However, it still has a hidden valuable reason in another aspect that is out of developing a framework to discuss.

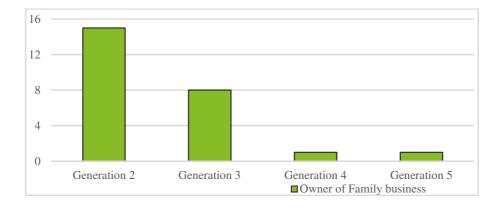


Figure 4.1: A number of populations of the family businesses of each generation.

This study shows the difference between the family businesses which can affect the business decisions. To describe in different dimensions of each family business, the sizes of the businesses are divided into 3 main categories including small-family business with 0 - 50 employees (36 percent), medium-family business with 50 – 100 employees (32 percent), and enterprise family business with 100 or more employees (32 percent).

4.1 Transformation of Business Model

The business model is the first factor that is used to gather data from the family businesses. The findings are separated into four main parts consisting of the perception of the owners of the family businesses on digitalization, the importance of technology, digitalization, and technology investment plan.

The questions include the reason that gains insight into the awareness of the digitalization of the family businesses. Consequently, the developed questions are asked for vision of the family businesses owners about the digitalization that they need to improve in the next five years and the potential digital technology that can help their business. It is found that all interviews had similar answers to the questions for the potential of digitalization in their family businesses. The interviewees were aware and knowledgeable about the importance of the technology. One hundred percent of the owners had their plan to continue the family businesses. The main reason for the transformation of the business model was the key to be considered. The motivation of the latest generation enabled improvement to continue their heirloom. In this generation, they observed the opportunities and problems to be resolved using their expertise.

The critical problem that the family businesses could not continue was family. Due to business inheritance, some of interviewees said the early generations did not allow them to control the family business. If the current situation needed to be changed anything, they needed to get approval from an early age. The problem might cause into adaptation to the world; modern thinking is good, but if any family that has thought too conservative or stick to the old success, the next generations that have been educated with new transformation will not think to improve and change the business.

In the meantime, the transformation to the new business model needs the investment plan to develop. To get some insight, the current family business owner are also important for making a decision. Financial management is the priority of any business, which most family businesses tends to miss. Even though the family businesses needed to be improved, the new generations of the family businesses decided based on the digitalization investment plan as shown in Figure 4.2.



Figure 4.2: Digitalization investment plan.

Figure 4.2 indicated that most of family businesses needed to invest about 0 - 10 percent in developing their businesses in order to transform business to have more technology and digitalization. The transformation also had a variety of execution processes. This study determined some data accumulated from the interview. The size of the family business did not determine the owners would decide on an investment.

The digitalization of small and medium-sized family businesses needs a small investment in improving technology because other criteria which are more important still need to be improved. The small and medium-sized family businesses concern about cash flow. On the other hand, enterprise family businesses mainly focus on decreasing costs following by automation to help the company run smoother in the digitalization era.

One of the vital elements in transformation of the business model is people. A much wide range of family business which is the key to consider is who will be going to implement. This study investigates 3 considerations consisting of hiring a new employee, consulting external service, and developing a new skill of an existing employee.

As results shown in Figure 4.3, most of family businesses thought about consulting external service (outsourcing) more than hiring a new employee or developing a skill set of a current employee. They hired outsourcing because it would bring a new idea and expert team to family business instead of starting everything new. Outsourcing would help the family businesses to construct and create a new innovative business model with the correction. About 16 percent of family businesses tried to hire new employees as they thought they could control everything and had the product as well as process for long term planning. Only a few family businesses tried to develop a skill set of a current employees. These family businesses needed to keep employees as most of them had been working for a long time.

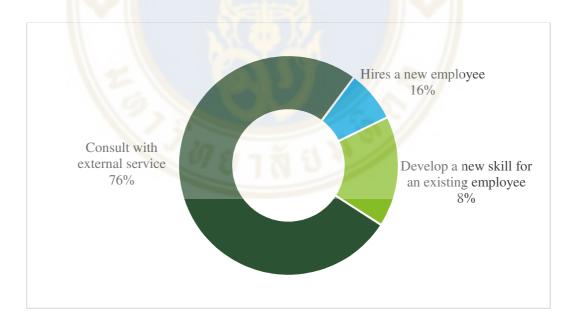


Figure 4.3: Decision-making to implement digitalization.

4.2 Digitalization Leadership

Digitalization leadership is the second factor that will drive family business to success. The interviews found that family businesses needed at least one digitalization leadership. Figure 4.4 shows the percentage of digitalization leadership of early and current generations of family businesses. It demonstrates that digitalization leadership in new generation, which is a crucial generation, has the potential to drive the business forward.

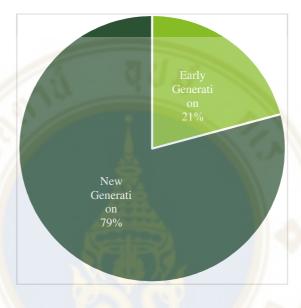


Figure 4.4: Percentage of digitalization leadership of early and new generations of family businesses.

4.3 Engagement with Stakeholder

The third factor in this study is to engage with a partner in different dimensions. The key is to transfer new ideas and communication to all stakeholders. The result from the interviews shows that most of engagements are based on employees. Employee engagement is the most crucial way to keep employees feel attached. On the other hand, if employees do not realise to engage with work, they will get tired of their work, do not feel like wanting to achieve success, and eventually want to quit. Therefore, increase in critical thinking will increase engagement for the family business in terms of transformation digitalization. Employees are a part of the organization. They work

not only for money, but also for meaning. From the interviews, most of the family businesses treated their employees as a part of family. Thus, the employees worked in the family businesses longer than the enterprise companies.

Transferring new ideas and knowledge about technology will help the business be able to handle the challenges. In small-family businesses, they preferred to share new idea and communicate face to face in a comfortable environment. Early generation in small-family businesses made decision based on the thought. In case of medium-family businesses, they chose to transfer and shared the new idea to two or more employees. This method represents a good strategy that bring engagement from stakeholders to make a decision. This is one of the attributes to define passion, working with love is one of the values of the organization. For enterprise family businesses, they conducted the meeting within the organization to transfer and dedicate the work at the conference.

Most of family businesses did not concern about having more technology or digitalization because of external sources, i.e customer, vendor and supplier. Generally, family businesses communicated with external sources via telephone and email. Many external sources still used late technology in their businesses. This indicates that conversion of digitalization can be made if activities take at the same level as digital.

4.4 Digitalization Activity

Digitalization activity is one of the factors to determine the customer needs which change from time to time. The business should have an innovation in digitalization. There is the digitalization of society which opens up new opportunities for business. At the same time, the family business should set new challenges for business in the field of transformation. According to the interviews, most of the family business owners who needed to continue the business considered the impact of digitalization activities in the field of services by promoting the uses of online via mobile applications, distribution channels, social networks, and robotics.

4.4.1 Online Services

One thing that helps the family businesses to create brand awareness and to give necessary information to customers is the website. In this era, about 36 percent of family businesses have online channels and 92 percent of the family businesses have already used social medias. However, if they do not take good care of customers from the online channels, many issues will occur. Customers visit the website to check the reliability and to consider a convenient and fast way to contact. This study found that the enterprise family businesses had online service to provide data and contact information to the customers. For a medium family businesses, they did not care much about the online services. They needed to make sure that if they invested in online service, it should give them return. In case of small family businesses, they did not concern about any online service as they believed their businesses were too small to promote via online channel.

4.4.2 Online Communities

The online community is one of the most critical impacts on internal and external organizations. Today, the online community is also used for digital marketing. From the interviews, most of enterprise and medium family businesses those became a member of online communities achieved more benefit. This is because the online communities helps the businesses to understand the process and result. They also help businesses to find useful customer insight. If they enter the group and build acceptance from people in the group, it will expand the businesses or increase more sales. Interestingly, enterprise and medium family businesses used online community platforms to communicate mostly inside the organisation. Only a few of them used platforms to communicate with the vendor, supplier, and customer. This is because it is secure communication and everyone can follow. For the small family businesses, they preferred to communicate face to face more than online communication. The results in Figure 4.4.1 shows that 92 percent of the family businesses have already used online communities to drive the businesses, mostly "Line application".

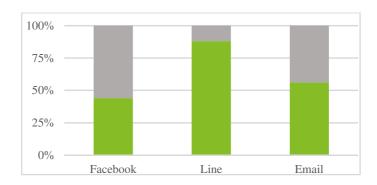


Figure 4.5: Percentage of online communication platforms used in the family businesses.

The advantage of online communication platforms is much easier than before. The owners of the family businesses used a free online application to support their business rather than investing money on the platform. There are other online communication platforms which are not included in the framework, for example, Instagram, WeChat, E-commerce platform and Google.

4.4.3 Data Analytics

Data analytics is in high demand since the emergence of technologies. The family business needs to be able to track and collect various information that is beneficial to the business. Data can be transformed into the process of the report which the owners of family businesses can gather data to an internal process.



Figure 4.6: Percentage of data usage in the family businesses.

As results shown in Figure 4.6 64 percent of the family businesses already used data analysis to make a report to summarise sales and investment at the end of the period, whereas 40 percent of the businesses increased the data usage to forecast selling and marketing. Some interviewers used data transformation to analyse the inventory and forecast the need. The results indicate that most of the family businesses which would like to grow open up the opportunity to use the data transformation in the future.

4.5 Challenge and Limitation

The challenges and limitations are studied to find the recommendations. Therefore, the scopes of the study are narrowed down to the causes of problems and limitations. The points of view from the same Thai family businesses are mainly focused on the businesses themselves. The research only uses a qualitative research method to analyse the data. Therefore, the future recommendations are to conduct more researches by in-depth question method to analyse the family businesses in various Thai organisations to obtain more ideas and data towards and to increase the innovative ideas.

4.5.1 Internal Factor

The common problem that the interviewees face is the lack of skill of employees. Most of the family businesses hire the employees in the long term from generation to generation. These employees have a problem with adaption to new technology. Some of them are against the change.

Another problem is about communication in the family businesses. This is because the authority to make decisions belongs to the early generation. Inequities among family members also play a vital role in business management. Most employees can not give an idea and talk to the family business owners.

4.5.2 External Factor

Government policy is a factor that family business can not predict. This factor is essential to the family businesses. It happens when the family business needs to have the government as a stakeholder, especially import and export businesses. The government is an important role in supporting the family businesses on money

investment and tax. Growing of economy impacts on all the family businesses. Overall, the government should support family business investments. Government spending can help the trend of economic growth. However, the government should build confidence for the family business owner to continue the business in Thailand market.

4.5.3 Digitalization Factor

According to the interviews, most of the family businesses want to continue their businesses. About 50 percent of family businesses need to expand to an online channel. The limitation of the family businesses is knowledge. Most of them do not know how to start an online channel and how it works. For the enterprise family businesses, the dashboard is the important tool. They need to implement the dashboard in which they can analyse the report from many departments in the organisation and forecast inventory or sales. The dashboard helps the family business owners to make a decision. The limitation of the family businesses those can not implement the dashboard is about the internal factor. For small and medium family businesses, they also concern the use of data. Data analysis is the limitation of small businesses. Some of the family businesses still use paper to record data instead of digitizing before analysing.

The data analysis in this study shows that many family businesses expect to see digitalization taking over the next five years, mainly as a result of returns on investments in technologies. About 96 percent of the family businesses expect they will make a good foresight in digital capabilities within five years compared with today.

Maintaining and using developed platform require doing some things differently to gain more sales and innovations from employees. The next generation of family leader needs to prepare to have durable digital know-how more than early generation leader. The owner should be charged by supporting the family business into a more automated age, with its own standards for customer experience, and bringing new skills into the workforce.

More than 60 percent of the family businesses concern about using data to do the report and about 40 percent need to use data to forecast sales and inventories. The limitation of the family businesses is the main challenge if they need to continue business. There are three main problems including the internal factor, external factor and digitalization factor. About 76 percent of family businesses need to find an external

consultant from the expertise company to improve the process and reduce the conflict and problem in the family businesses.



CHAPTER V

CONCLUSION, DISCUSSION AND RECOMMENDATION

This chapter analyses data to help family businesses, which can be disrupted by technology, identify the consideration that they need to drive. The discussion is divided into two parts including the theoretical implication and managerial implication.

5.1 Theoretical Implication

The theoretical implication is to contribute new knowledge and fulfil the literature on the family businesses. This study contributes to understand the importance of digitalization, the specific knowledge of Lean Automation which impacts to the business process, the importance of partnership, the new online marketplace platform, government policy together with economy in Thailand 4.0, and the better quality of life for both employee and customer.

5.1.1 The Importance of Digitalization

This study captured the potential of the family businesses and found that the average rating on the importance of digitalization was 4.24 out of 10. According to KPMG research (Wu Hong, 2017), digitalization is the first priority for family business. To sustain business in the long run, the family business owner should concern about giving more credit to digitalization. This study shows that most family business owners value their family and profit of the company rather than improving the business operation capacity to digitalization.

5.1.2 Lean Automation

One of the fundamental principles of Lean Automation is flow. Any work process that flows continuously without interruption, inventory or work between processes will be minimised. The Lean Automation process is the most effective

inventory management. There is no inventory management in the family business because the inventory management is a non-value-added activity. The family business owner can prioritise another activity management to have efficiency as much as possible.

Lean Automation impacts employers before employment. Lean Automation will help increase productivity and decrease the problem of employee rate. However, family businesses can improve their readiness. One place to start Lean Automation is the family business owner where a strong leadership of innovative ideas with the right skills can be beneficial as family business digitalization.

5.1.3 The Importance of Partnership

Being partnership is a way to help family businesses obtain sales through companies and reduce resources. To create or find a partnership, the family business needs to find a business partner that has the same value. The business partner can support the product, service or internal process to increase the value of each other. Moreover, the partnership can share the problem as we as resolution to increase profit and grow together. Nowadays, some of the family businesses already partnered with the universities to create an automation to help them grow and expand in the new product line.

The partnership helps family business to expand the market, generate more sale and create more wealth. Therefore, finding and selecting business partner is an important process to create long-term goals and long-term partners. Good partnership can make work easier with less effort. The business partners are the key to the success of global companies. Those companies have partners to sell, distribute and install their product. They also have after-sale service. Family business should look for a business partner to promote and grow the market share.

5.1.4 New Online Marketplace Platform

Social media has become a part of Thai people activities. Selling product via social media is a good option to generate enormous profits for ordinary people. Social media and the internet have created and completely changed consumer behaviour. Family businesses those want to succeed must change the processes, ideas

and works. They must select suitable innovations and apply them in their businesses to enhance the operation of the organization in order to gain more revenue. Therefore, the family businesses must not keep up with the changing trends of innovation and technology happening in the world.

There are many online platforms the family business can use without creating a new one. Most of the online platforms are free of use in the beginning and charge service fees for using premium options. The online platforms are useful tools for family businesses to promote their product and gain more brand awareness. The platforms allow administrator to generate reports and graphs in a wide range of products being sold. In the meantime, the online platforms can calculate sales and inventories at the same time.

Regarding the living or spending time of Thai people, there are a lot of new normals those may affect the investment analysis. The obvious examples are Thai people spend less time watching TV and reading book but spend much more time on mobile screen. They often use mobile and the internet to do some activities continually such as ordering foods, clothes, appliances and taxis. Regrettably, enterprise companies those provide services or sell products via the internet benefit the most whereas the family businesses those focus on offline customers lose benefit.

5.1.5 Government Policy and Economy in Thailand 4.0

The family businesses in Thailand still have positive attitude towards economic conditions. Government policy is a factor that can make the businesses confident to face future situations. There is not much concern about the threat of external harmful factors such as legal issues those change in technology and geopolitical risk factors. The investment of Thailand government and the beginning of Thailand 4.0 policy are being watched. Most family businesses in Thailand overestimate the quality of education system for training new employees and the quality of the ICT system structure.

Economy can be both opportunities and obstacles depending on the readiness of the business. There is an excellent opportunity for the family businesses in Thailand to expand business operations for the export products. However, it depends on the ability of the organisation to cooperate with other companies. Family businesses

play an essential role in driving Thailand economy. Therefore, adaptations of family businesses are necessary to drive Thailand economy in the digital economy era.

5.1.6 Quality of Life

It is important to create young people to be physically and mentally strong and to prepare quality society. Family business should create a good quality of life, at least in the workplace. It is a matter of cooperation between both parties in terms of employers or organizations. In order to achieve the goal, the family business must have operational guidelines in good quality for working together and satisfying both parties. To create satisfaction in the family business, motivation is a key factor that directly relate to the operations. Motivation makes the operators doing their best and can increase work efficiency.

5.2 Managerial Implication

The managerial implication is to share a new idea and give a suggestion to the owner of the family business. This study provides the recommendations for family businesses to increase their capability and sustain their business as follows:

5.2.1 Business Partner

The study shows that most of the family businesses need to find an external vendor or business partner to help their businesses. Currently, everyday life is surrounded by digital activities, for example, selling and shopping online, ordering taxi and booking. However, products and services remain the backbone of the family business. Therefore, in this circumstance, to be a leader in every kind of services, it needs a good plan to cooperate with the changes into a digital economy. Partnering with excellent companies is a good option.

The family business should choose the possible way to cooperate with shared value, for example, the payment platform, digital platform provider, digital entertainment, E-Commerce and financial service. Digital payment is the most valuable to become a partner. Although digital payment drives the world banking to be more important in everyday life, it should have a large user base in Thailand and have

expertise in comprehensive financial services. Banking is still the core of the business because offering services on a digital platform creates a wider digital lifestyle ecosystem. To create a seamless payment experience, increasing the opportunity to access financial services with financial solutions those meet the needs of today's consumers is the key to success in the family business.

5.2.2 The Readiness of New Generation

Skills of the new generation are the key to run a family business to success. To continue the business, the new generation of business needs to be prepared to step up to be the owner of the family business. The generation gap is one of the huge problems for digitalization. The gap is caused by creating credibility from the early generation to make sure that new generation works harder than others in the organisation to prove themselves. The family conflict is still a concern. Most of the family business heirs worry about wasting time conducting digitalization in the organisation because of early generation.

Currently, early generation is still not confident to transfer the business to a new generation and is still not confident that new generation has more potential to manage the family business. The communication gap in the family business distinguishes personal relationships within the family business. Clear communication during digitalization can improve the operation and process. Planning effective succession in long-term plan is considered as an important thing.

5.2.3 The Importance of Digitalization

Digital technology is one of the megatrends that will play an important role in driving the business over the next 5 years. However, the adaptation of the family business remains a controversy issue between two generations. This study shows that different understanding and concepts, which business successors often face, are difficult in persuading the younger generation to pay more attention to use digital to drive the family business. Most of early generations are unsure that their companies have a business strategy corresponding with the digital age. Only a few family businesses believe that their companies have a strategy to support the change of digital technology. The change in technology is a major challenge in leading family businesses to success.

Most of the current management models lack knowledge and understanding of the digitalization. As a result, the business adaptations of the family businesses are slower than those of enterprise businesses. This problem eventually affects the competitiveness of the family business.

The new generation of the family business should begin to consider the importance of digital technology, learn more about digitalization, invest appropriately and have the skill to use technology to benefit; while the early generation owner should have good business consultants to help the owner plan investments and expand business in the future. It is a matter of measurement in the specific number to give the result more transparent, which will help the organisation plan for the future.

5.2.4 The Value of Digitalization

According to the interviews, family businesses are looking for new markets. Most of them prepare to add new products and open new business plans in the next 5 years. To reach the goals set, family business should seek for the fund and increase the value of digitalization. To accelerate the growth in new markets and to develop new products as well as services, family businesses in Thailand should have a strong fundamental performance and investment in technology. This study shows that the average investment plans for the family businesses and global family businesses are about 1-10 percent and 16 percent, respectively. The family business owners should consider investing more in digital and technology to improve the performance of their businesses.

To apply modern technology to drive business more efficient or expand business to foreign markets, aside from having good product, information technology systems are extremely needed. Digitalization can operate in real-time and link all branches resulting in working faster. It can increase accurate work efficiency, make system modern with high safety standard, as well as increase the business operation and overall operation efficiencies. Moreover, the digitalization enhances the business potential to be able to fully meet business operations and business managements in the Thailand 4.0 era.

5.2.5 The Legacy of Transferring the Generation

The legacy of transferring generation and preparing next-generation leadership is an essential part of the family business. The legacy can be determined by the direction of the family business to encourage the next generation to be involved. This study found that young family members engaged in the business were making a difference in digital technology. Empowering decisions and giving orders to the next generation become a point that can cause the family business to collapse or deteriorate. This research observed that whenever the early generation transferred the position to the next generation to manage, there was an improvement with value creation by using more technology. The main reason why the early generation did not accept or opposed was the new generation did not have a mandate, a clear decision or direction such as announcements throughout the organisation. Empowering decisions and giving orders to the next generation should happen during the time of succession of power, gradually changing little by little for the new generation to manage certain activities or projects.

Family is one of the most important success factors in the family business and causes a serious matter in the same time. This problem can be solved by creating the family council which is the starting point for the regulation. The family business should have custom, practice, role, and duty. All members in the family business must take place at the family council. Therefore, the problem of estrangement among siblings, parents, children and relatives who are in business should go through the management process by the family council. In this regard, the family council intends to enable the family and the business to move forward steadily. To be more precise, the early generation should take place as a consultant before retiring from the organisation.

5.2.6 Support from Government

Government support is a factor that helps family business. Nowadays, various uncommon problems, which are waiting for the government to resolve, affect family business. Although the efforts have been made to solve the problems, the old policy can not solve the major problems. The amendment requires a clear policy idea on how to develop Thailand and drive the economy forward. To improve the lives of the whole country is a huge problem to be solved because the concepts and methods of

work have not changed. The economy of country may not change much in the next five years causing Thai people and countries to lose opportunities.

The family business needs to understand the situation quickly and adapt to the challenge. Therefore, the rule of business survival that works well is altogether because the family business owner may not be smartest in the business but may be someone outside family who can share, allocate and manage the family business well. The family business owner should open to new things. Adapting to digitalization is a path to reach the goal quicker.

The government policy has signs of capital movement and opportunities for Thai companies those want to expand their business. The challenge for the family business owner to think about the new production capacity is diversifying risk to ASEAN countries. These are the opportunities to find business alliances, mergers, and acquisitions in the region and will be the benefit to Thai businesses to become the international businesses. Therefore, the organisations must prepare digitalization readiness in the competition.

Digitalization and innovation are the important keys to help family businesses to stay up and run in line with the market demand. The family business must have a broad vision in operation. The long-term business operation is the courage to invest in new things. The family business must have a strategic plan for digitalization and innovation, along with goals that need to archive. It is important to cultivate thought, speak, read, write, and do thing in new ways. There is a change of opinion to have digitalization for further development. The family business owner should always have new initiatives as the goal of digitalization to change positively. The digitization partnership can be both government and business partners. The opportunities of the family business market include finding business alliances, mergers, and acquisitions. Digitalization and innovation produce new products and are the sources of automation. The family business owners should overlook the use of technology to help reform the business operations, even executives in the technology market can be called to step development. The strong in goal is another challenge that the family business should complete in the next 5 years. The family business should turn to focus on the technology trends including social, freedom, data analysis, data transformation and cloud. The family business should adapt to new normal, which affects customer perspective in everyday life.

In addition to personality, the studies present the factors which family business should concern and think. There is another opportunity that will help family business moving forward and there are threats of too much digitalization. The family business owner should have more clear direction and decision. This study brings the value to the family businesses to have a clear picture of digitalization.

Finally, intruding technology to change the business model is a good decision. The future research of digitalization in the family businesses in the digital transformation world can help the family businesses plan their strategic business transformation to sustainably grow in the digital economy. The family business should use technology in the organisation to make work system more modern. Today's economy has features which are different from previous periods.

5.3 Recommendation for Future Research

This study collected data using qualitative methods which still have a lower number in data collection. The quantitative methods help to see the trend of digitalization that affects the family business. In the meantime, to see the trend of the global market in the family business factor, the data collection should be researched internationally.

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