MANAGEMENT ISSUES THAT CONTRIBUTE TO THE FAILURE OF FAMILY BUSINESS

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ABSTRACT

The paper seeks to provide insightful analysis and suggestions for family-owned businesses by reflecting on their experiences and looking at the root causes of failure.

Using a qualitative research methodology and a case study design, this study attempts to analyze the management challenges that contribute to the failure of family businesses in the corn silo company. Interviewing family members and employees who are used to being involved in the business. At the end of the research, the result shows the three challenges in a family business are 1. Governance, 2. Conflict management, and 3. Resource management.

The recommendations focus on improving family-owned businesses by addressing governance, conflict resolution, and resource management. In brief: 1. Create clear structures and family constitution, 2. Authority clarity and conflict resolution, and 3. Knowledge enhancement, financial planning, and resource allocation.

KEY WORDS: Family business/ Governance/ Conflict management/ Resource management/ Management issue

30 pages

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CHAPTER I
INTRODUCTION

Family firms play a significant role in the world economy and have made key contributions to globalization (La Porta, Lopez-de-Silanes, & Shleifer, 1999; Pukall & Calabrò, 2014). They are defined by the combination of family and professional endeavors, which can offer special benefits such a strong sense of identity, long-term commitment, and shared ideals. However, if not handled these businesses well can result in failure. This family's firm in the corn silo business will serve as the focus of this case study, which will offer insightful information about the difficulties encountered in this unique situation.

According to research, family-owned enterprises frequently experience difficulties with succession and intergenerational transitions, which contributes to a high failure rate. Around 70% of family businesses do not survive the transition of the founder to the second generation, with the 30% of family businesses making it through to the second generation then reduced to 15% on reaching the third generation and 11% when arriving at the fourth generation (Poza, 2014). These figures demonstrate the crucial risks that family businesses confront. Which gives the importance of identifying and resolving the management problems that lead to setbacks, challenges, and failure.

This case study of the family's firm corn silo business offers a personal perspective of how management issues affect the company's success and longevity. The paper hopes to investigate and analyze the particular governance, conflict resolution, and resource management problems that were a major factor in the failure of this corn silo company. This case study provides helpful insights into the difficulties faced by family business in the corn silo sector of the agricultural industry.

Family businesses must have strong governance, which includes decision-making procedures, ownership arrangements, and succession planning. The distinction between family and company responsibilities can be ambiguous in many family firms, which can cause conflicts and make it difficult to build effective governance arrangements. Family members can affect decision-making and the conflict resolution, so conflict management is another crucial problem. Family-owned enterprises must be able to manage their resources effectively if they are to survive in the current marketplace and expand in the future. This includes managing their financial, human, and operational resources. The entire competitiveness and long-term viability of the company can be considerably impacted by wise resource allocation and optimum usage.

Failure of a family-owned enterprise has effects for employees, vendors, and the surrounding stakeholders in addition to the business. In this case, the collapse of the corn silo operation led to the loss in jobs for the employees, decreased suppliers' revenue, and a reduced contribution to the regional agricultural ecosystem. The paper hopes to add to the knowledge on family-owned enterprises management through this case study analysis by offering helpful ideas for other family businesses and related businesses in the agricultural sector.

The specific management problems that family-owned enterprises in the corn silo industry frequently deal with will be examined in this subject paper, including problems with decision-making processes, ownership structures, and succession planning. The paper will also look at concerns with communication breakdowns and how to deal with conflicts that arise when family dynamics. Will also look at problems with resource allocation, like how to allocate money, people, and other resources efficiently. The paper examines how these management difficulties affected the performance, and operational efficiency of this family's corn silo firm through this case study investigation.

The paper seeks to provide insightful analysis and suggestions for family-owned enterprises by reflecting on their experiences and looking at the root causes of failure. In order to support the sustainability and success of family-owned enterprises in similar environments, this case study will offer a practical insight on how to overcome governance, conflict management, and resource management concerns. In the final part of this essay, the paper will provide a thorough study of the particular governance, conflict management, and resource management problems that led to the failure of this family's corn silo business. Also will provide practical advice and industry best practices, backed by research, to assist other family-owned enterprises in reducing risks and improving their long-term survival.

CHAPTER II
LITERATURE REVIEW

2.1 Family Business

Family businesses are the most common and traditional type of business organizations. Understanding family businesses ranges from small businesses serving a neighborhood to large conglomerates that operate in multiple industries and countries (IFC, 2008). Family businesses are a special type of business that combines family ties and entrepreneurial ambitions. Family businesses contribute to employment and promote economic growth in the global economy. A family business is a commercial organization in which members of the same family, spanning several generations, exercise primary ownership, management, and control. It mixes the possibilities and challenges of running a business with the intricacies of family connections.

The complexities of family relationships have a significant impact on family enterprises, which can change the organizational structure, decision-making procedures, and general operation of the company. Understanding the complex interaction between family and business dynamics requires a focus on several critical areas, including effective communication, succession planning, and conflicts. The long-term outlook of family enterprises is one of their distinguishing characteristics. These businesses place a high priority on preserving and increasing wealth across generations in an effort to uphold family values, legacy, and traditions. They distinguish themselves from other non-family-own enterprises through their dedication to succession planning, which frequently results in strategic planning and financial decisions.

2.2 Governance

To understand how family business functions we need to look at its governance. Zellweger (2017) explains that the system of institutions, rights, and obligations through which corporations are managed and regulated is referred to as governance. Therefore, by having governance a company can create clear guidelines and authority among several stakeholders, including the board of directors, managers, and employees. The governance lays out the guidelines and processes for decision-making and provides the framework for how businesses define and achieve their goals. Any given firm's specific corporate governance policies reflect the social, regulatory, and market conditions in which it operates. Lastly, governance is a system for keeping an eye on actions with the goal of balancing stakeholder interests and generating value for them.

The key factor distinguishing family firms from others is the family's involvement in the governance of their firm through participation in ownership, management, and board (if any) along with their intentions for maintaining family control over the firm across generations (Chua et al. 1999). According to **Figure 1**, families insert influence on the firm through participation in governance. In turn, this impacts firms' goals, strategies, and performance (Chrisman et al. 2012, 2005). The unified ownership and control elevate the power and authority of the family (Carney, 2005).

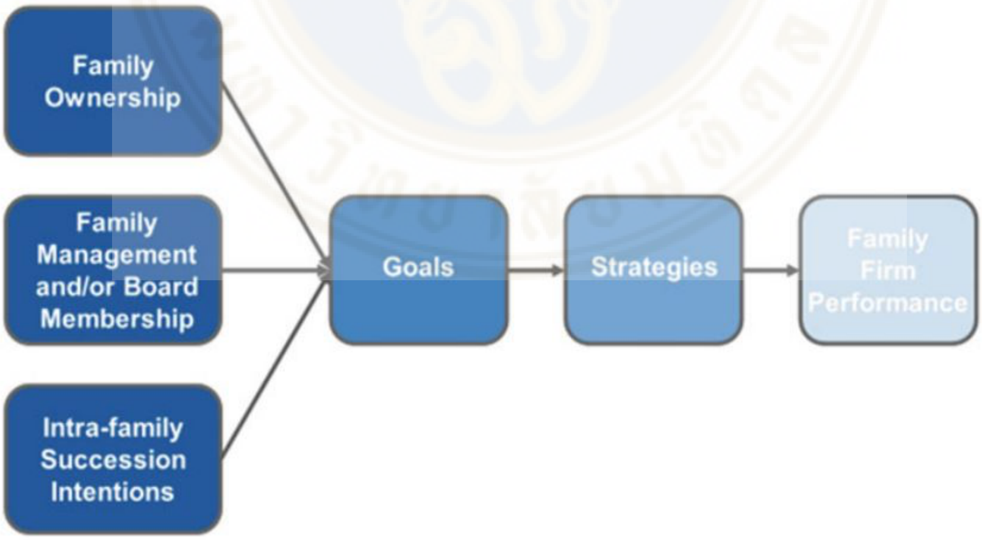
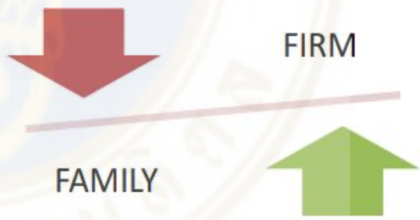


Figure 2.1 Model for family governance and family firm outcomes (Chrisman et al. 2012)

2.3 Conflict Management

Conflict management resolves issues when family members have disagreement, and it protects the family and its business from failure. Conflict management generally belongs to group processes, and that is how a "certain group in an organization manages conflict" (Robbins and Coulter, 2012). Both family and non-family own enterprises exhibit the above procedures. The only variation is whether the group consists of family members or non family members; otherwise, its nature is the same. Conflict management is used to avert or prevent problems in family businesses and to resolve them. As shown in **Figure 2**, conflict management is used to settle disputes when agreements are reached. In this situation, conflict management aims to convert conflicts into collaboration, if not cooperation. Conflicts might rapidly undermine the family's reputation, image, and exposure. The fact that the family itself will be in ambiguity if there is no conflict management to address conflicts must be emphasized strongly at this point (Ramadani, 2020).

Figure 2.2 Imbalance in a family business (Ramadani, 2020)



2.4 Resource Management

Family stakes holders need to input their resources into business to start operating and compete in the market. Sirmon and Hitt (2003) explained that it is not only the family's contribution of resources that matters for performance, but also the family's configuration of resources. Although a family business may have a sizable resource base, in order to acquire a competitive edge, these resources must also be successfully designed through an effective strategy. Sirmon and Hitt (2003) suggested that family business affects resource management on two levels. First, the family provides the business with resources like financial capital, networks, or human resources. Second, the family interferes in the management of resources by using configuration of resources through resource selection, deployment, bundling, leveraging and also shedding.

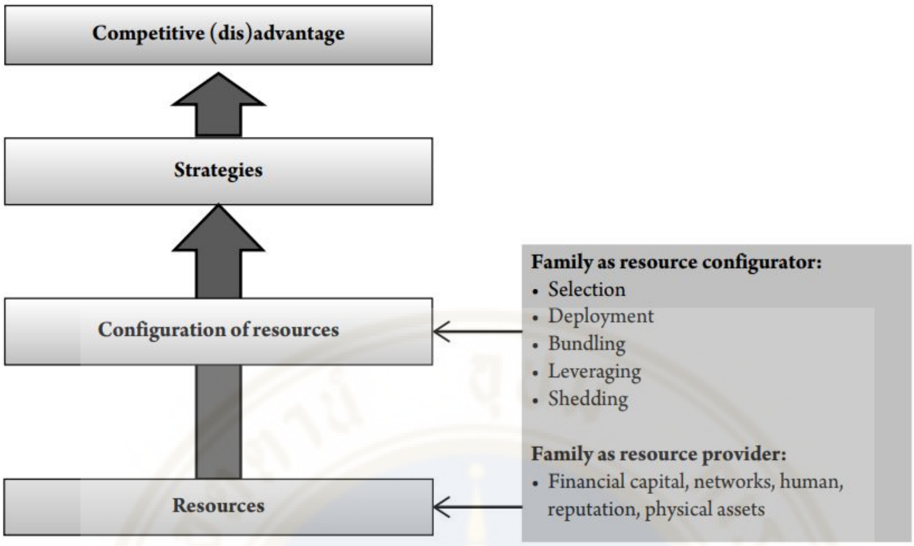


Figure 2.3 Family involvement in the resource management process (Sirmon and Hitt, 2003)

CHAPTER III
RESEARCH METHODOLOGY

Using a qualitative research methodology and a case study design, this study attempts to analyze the management challenges that contribute to the failure of family businesses in the corn silo company. Interviewing family members and employees who are used to being involved in the business. People with relevant knowledge and expertise will be the main way of data collecting. For conducting the interviews and analyzing the data, a framework is provided by the study methodology that is described below.

3.1 Case Study

Will use a case study method and concentrate on the family's corn silo company. This structure enables a thorough examination of the management problems that contributed to the failure of the particular company while offering insightful information about the larger context of family businesses operating in the corn silo sector.

3.2 Sampling

In order to pick family members who have contributed significantly to the administration of the company, such as the founders, owners, key decision-makers, managers, and employees, the sampling technique will employ deliberate sampling. Employees with relevant insights who have worked closely with the family members will also be involved. The sample size will be chosen to ensure a thorough knowledge of the management issues based on the richness and saturation of the data.

3.3 Interview Questions

Governance, conflict management, and resource management will all be topics covered in the interview questions. Participants should be encouraged by the questions to share their stories, viewpoints, and ideas regarding the failure of the family business. Viewpoints and experiences as a family owner in the company are crucial to comprehending the governance, conflict resolution, and resource management procedures within the family business. Ideas will help better grasp the difficulties and management techniques in these areas. Examples of interview questions for both family members and employees might be:

Table 3.1 Open-ended Questions

Business Overview (Owner)	1. Can you give a brief description of the family business's background, purpose, fundamental beliefs, and the particular services or goods it provides to the corn silo industry? 2. What position has the family business taken in the corn silo market? What distinguishing features or competitive advantages does it have? 3. What are the main market factors and business trends that have affected the company's performance and viability? What changes has the family company made in response to these factors? 4. Could you talk about any significant turning points, successes, or obstacles the business has faced?

Table 3.1 Open-ended Questions (cont.)

Governance (Owner)	1. How is the family business set up in terms of decision-making? Are there specific procedures or controls in place to guarantee efficient decision-making and governance? 2. What roles do family members play in the processes of strategic planning and decision-making? Does the inclusion of family dynamics in business governance present any difficulties or conflicts? 3. How is ownership organized inside the family business, and what effect does this have on accountability and decision-making? 4. What official or informal governance procedures like family councils or boards. Do you have in place, and how do they affect how the company is run as a whole? 5. How do you make sure the family business's governance procedures are open and consistent with its long-term objectives?

Table 3.1 Open-ended Questions (cont.)

Conflict Management (Owner)	1. How are disputes handled in the family-run business? Exist any particular strategies, rules, or methods for resolving disputes successfully? 2. Can you give any examples of family business conflicts that have occurred and how they were resolved? What methods or solutions were used to resolve disputes and keep the family united? 3. How do you make sure that family members are communicating openly and effectively to avoid or resolve conflicts? 4. What part does outside knowledge or professional mediation play in resolving disputes in a family business? 5. When resolving disputes, how do you strike a balance between the requirements of the family and those of the company?

Table 3.1 Open-ended Questions (cont.)

Resource Management (Owner)	1. How is the family business's financial resource allocation managed? Are there specific plans or processes in place to maximize the use of finances and the distribution of resources? 2. Can you talk about any difficulties or things to think about when managing financial resources in the family business? 3. How is the family business managing its human resources? What techniques are used to entice, nurture, and keep talented employees? 4. How can you make sure that the family business's strategic goals are met while allocating resources?

Table 3.1 Open-ended Questions (cont.)

Employee's Questions	1. What would you say about the family business's leadership style? What are some salient traits or habits that you have noticed? 2. How effective, in your opinion, is communication inside the family business between management and employees? Is there anything that might be done to increase communication? 3. What do you think about the family business's decision-making procedures? Do you think your ideas and contributions are respected and taken into account? 4. How well, in your opinion, does management deal with disputes or difficulties that develop inside the company? Any particular cases that come to mind?

3.4 Data Collections

Selected family members and employees will participate in one-on-one interviews. Depending on the availability of the participants, the interviews may be performed in person or video conference. Will utilize probing inquiries and follow-up requests to get thorough and thorough responses. All the interview information will be kept pseudonyms, as it is sensitive data and in order to provide privacy for the interviewee.

Table 3.2 List of Interviewees

Sample 1 **(Emma)**	**Interview date**: 6 June 2023 **Channel**: Zoom call **Duration**: Approximately 45 minutes **Personal information**: Family member and also a manager
Sample 2 **(Liam)**	**Interview** date: 7 June 2023 **Channel**: Zoom call **Duration**: Approximately 50 minutes **Personal information**: Family member and owner
Sample 3 **(Noah)**	**Interview** date: 10 June 2023 **Channel**: Starbuck coffee shop at Central Rama 3 **Duration**: Approximately 30 minutes **Personal information**: Family member and owner

Table 3.2 List of Interviewees (cont.)

Sample 4 **(employee X)**	**Interview** date: 12 June 2023 **Channel**: Zoom call **Duration**: Approximately 25 minutes **Personal information**: Employee who works in the purchasing department.

CHAPTER IV
FINDINGS (DATA ANALYSIS)

There were a total of 4 interview sessions with 4 different stakeholders. The session was intended to be arranged in a casual format as it involved failure and conflict matters, the interviewer could sit back and relax to share their story. The interview with *Emma* (manager) was held on **6 June 2023** via Zoom call in a total of 45 minute sessions. The interview with *Liam* (shareholder) was held on **7 June 2023** via Zoom call in a total of 50 minute sessions. The interview with *Noah* (shareholder) was held on **10 June 2023** in Starbuck coffee shop in a total of 30 minute session. Last for *employee X* (employee) interview was held on **12 June 2023** via Zoom call in a total of 25 minute sessions.

After all the interview sessions the writer summarizes all of the story into 2 parts which are the *background story* part. Which combines all the perspectives from different points of view and different stakeholders to get the overall picture of what actually happens in this family business. Then the writer will do the analysis on the setbacks and challenges that make this family lead to permanently shut down their business on the *analysis* part.

4.1 Background Story

In 2007, growing *corn* became a popular agriculture industry for most of the farmers in the northern part of Thailand. *Liam* started seeing the opportunity in this agriculture industry. His business idea is to become the middleman between farmers who sell the *corn* cob and those who want to use the *corn* cob as a raw material for the production of alcohol fuel, mixed with molasses to feed animals, and biomass fuel. When farmers start harvesting the crop, they don't have the proper storage to control the quality of the *corn* and also lack networking to know where they should send their *corn* cob to the end user. This creates an opportunity for the middleman who knows both the raw material supplier and the end user. The idea involves building a silo (a large tank made from strong, durable materials with a moisture-proof and ventilated system for storing agricultural products temporarily) to roast the *corn* cob and store it in a warehouse which can resell it later on. When storing large amounts of *corn* cob, storage conditions such as temperature and humidity must be controlled within the appropriate criteria before exporting to the end user.

He then starts sharing his idea and inviting his relatives to invest, forming a family business that includes his siblings *Leo, Noah, and Mia*. They all agree with his idea and form the company called *Cornville*. They agree to share the same financial accountability and to equally equity in the company. To run the business from the start, they decide to use debt financing as source of the initial capital and apply for a loan of 70 million baht from the bank, with monthly interest. Once the loan is granted, they immediately invest almost 90% of the capital into the business, which includes purchasing land for building a 600-ton silo capacity and warehouse, and an office building. Some operation tools such as trailers and trailers weighing machines to calculate the weight of *corn* cob that receive from the farmer. They hire two workers who are responsible for purchasing call *employee X* and accounting call *employee Y*. In the end, only 10% of the capital is reserved for the company's cash flow.

It is crucial to examine the history and experiences of the major players involved in this family-owned business in order to provide a more complete picture of the case. The main founder of *Cornville*, Liam, was 52 years old at that time. He was familiar with the agriculture sector before founding *Cornville*. Progressing from studying other same business models in the industry. He had a thorough understanding of the industry as a result of this extensive experience, which he wanted to use to run the business**.** Leo (45 years old) and Mia (40 years old) own a small shop involved in trading value commodities. Noah (42 years old) owns a construction company**.** All of them have never had experience in this industry before. As they are sole owners of their business without any manager. They devote all their time and resources to their own business.

During the internal family discussion, they decide how to manage the business. Liam hires an external manager to oversee the entire operation, but other members disagree with him. They argue that they prefer to utilize family members to manage the business and do not want an outsider in charge. This disagreement leads to a conflict, and Liam becomes very dissatisfied with the outcome. As a result he decides to leave the company, leaving the remaining family members responsible for managing the business that they do not specialize in. As all of the remaining family members already have existing businesses to manage, they realize that they are unable to effectively handle this newly invested business on their own. In light of this situation, they come to a decision to appoint *Emma*, another family member as the manager, to run the business instead.

Emma (Liam's niece), the newly appointed as manager at *Cornville* was 35 years old and had worked in the small and medium-sized enterprises for many years. She formerly worked as a manager and had an MBA from a business school. Her experience was diverse, spanning the retail, and construction industries, giving her a wide variety of business management talents. However, Emma does not have any experience in the agriculture industry before starting to manage *Cornville* and faces some difficulties emerging from the complexity of family business nature. These are some difficulties she faces and can be explained by the following topic.

Management issue: *Cornville* faced management challenges stemming from the lack of a clear chain of command and authority within the organization. Although the company employed two individuals responsible for purchasing and accounting, there was no well-defined hierarchy or division of responsibilities between these employees and the four family members. Emma was appointed as manager but the other three equity holders are still involved in making business decisions and giving command. This lack of clarity often led to confusion among the employees, as they received conflicting instructions and tasks from different family members. Eventually, *employee X* and *Y* began to prioritize the commands given by Emma over those of other family members, which created dissatisfaction among the remaining three members and further strained working relationships. Moreover, there are no scheduled meetings in the family business. Most of the discussions are held on the telephone. Which makes the communication in the company become more complicated and not accurate.

Business issue: One of the key problems arose from the family's lack of knowledge about the agricultural product they were dealing with. When purchasing the *corn* cob from farmers, the family members had limited understanding of the quality standards required. Consequently, they often ended up purchasing batches with high humidity and inadequate inspection, resulting in lower quality products. Ideally, the batches should have been dry, as some weight is lost during the roasting process in the silo. With the high humidity batches, the weight loss could range from 20% to 50% from the original batch. This forced the company to purchase more *corn* cob than necessary to compensate for the weight loss, further straining their financial resources.

Adding to the challenges, the price of *corn* cob fluctuated throughout the day. Since most of the company's customers were located near Bangkok, it took approximately 8-9 hours to deliver the product. However, customers would only pay upon receiving the inspected product. By the time the product arrived, the market price could be lower than anticipated, resulting in lower profits or even losses for the company.

Cash Flow issue: This particular business faced significant cash flow challenges. According to the nature of the silo business, which included purchasing *corn* cobs from farmers in large batches without credit (cash only), it required a substantial amount of cash flow. However, due to financial constraints, the company could only allocate the remaining of its reserves for cash flow purposes. As a result, they could only afford to purchase 150 tons of *corn* cob, which fell short of filling up the 600 ton silo capacity. This limitation prevented the silos from operating at full capacity, ultimately hindering the company's ability to maximize its revenue potential.

Due to these many problems, *Cornville* was forced to deal with a growing number of challenges. Despite their will and efforts to overcome obstacles, the issues grew to be too much to handle. The painful decision to permanently close the firm was the only one the family could make. They had to close their family business after only a year of operation, leaving behind crushed hopes and a significant debt load for the remaining family members. The financial debts and the interest were huge because the family had devoted a lot of money to creating *Cornville* in the hopes that it would leave a lasting legacy for the latter generation. They suffered a major setback from their own management, business, and cash flow issues. And now they were dealing with the severe consequences of their company's failure.

4.2 Analysis

In this analysis part the writer will take a look at 3 factors that affect the performance of the business including governance, conflict management, and resource management. In order to investigate how these factors contribute to the setbacks and challenges to family business.

4.2.1 Governance

In this case *Cornville* considers as family ownership that each family member makes equity investment into their ventures, their property rights endow them with legitimacy, authority, and power (Chrisman et al. 2012). This allows the family member to have an impact on the goals, strategies, activities, and performance of the company. So this company is fully authorized and managed internally and whether the business will succeed or not solely depends on the decision of the family members. In order for a family business to function properly and succeed, before start the business it needs to construct governance mechanisms, which consist of a Family Council & Assembly which is a collection of family members who get together on a regular basis to talk about and decide on matters pertaining to the family's involvement in the business (Gersick et al. 1997) and a Family Constitution which is a legally binding document that family company owners sign, containing a set of guidelines for how they will conduct their interpersonal interactions (Arteaga et al. 2017).

Initially, the governance mechanisms of *Cornville* were not constructed properly. As they always discuss important matters in the casual discussion format without a formal meeting periodically. Thus, there is no mechanism to manage family disputes by weighing the interests of the family members involved in the business, which offers a venue where various beliefs, viewpoints, and attitudes about the company can be shared and communicated to the firm management. When they need to decide important matters such as hiring a manager, traditional ways of communication among the members are not effective as Liam rushes into making the decision to hire an external manager without discussion with any other members. This does not establish agreements on diverse topics, stay on the same page with management, and fortify the emotional ties amongst family members with divergent interests.

There is no setup of a family constitution, which is a family protocol, also known as a family agreement, along with standards and guidelines for how family members should behave in the workplace. This serves as a roadmap for the family business, ensuring its continuity. So when Liam left the company without any succession planning, including the transfer of power structure, it was a setback for the company because he is the one who knows this business and industry the most. Other members just agreed to invest in his idea, and without him, the direction and mission are gone.

In summary, the family members' choices and deeds determine the fate of *Cornville* as a family-owned enterprise. However, effective decision-making, communication, and succession planning are hampered by the lack of appropriate governance structures and a family constitution. Without a succession plan, Liam's departure presents new difficulties for the business. To ensure the long-term viability and profitability of family enterprises like *Cornville*, these measures must be established.

4.2.2 Conflict management

When family members disagree, conflict management helps to find solutions while safeguarding the family's business. In general, group processes are responsible for conflict management, and this is how "a particular group within an organization manages conflict." (Robbins and Coulter, 2012). Conflicts are easier to manage in a non family-owned enterprise than they are in a family-owned. Because family members perceive themselves as a part of the business that belongs to them, intense feelings and emotions are not as prevalent as they are in family enterprises. They also believe that they alone should stand up for the family and the enterprise. Similar to how everyone who cares about the family company feels accountable, there are times when family members have very difficult and significant arguments among themselves (Ramadani et al. 2020).

There are two main conflicts that affect the business. The first conflict is when Liam is not satisfied with another family member's decision. The second conflict is dissatisfaction among family members when employees listen and follow Emma more than them. In both scenarios the concept of conflict management does not apply in any situation. The conflict is a task conflict type which involves differences in attitudes, ideas, and opinions among group members over the job being accomplished (Jehn and Bendersky, 2003). During the conflict taking place there are no proper conflict identities to find root cause and lead to no conflict solution purpose.

The results are after conflict happens, by not having the proper conflict management make workflow of the company more challenging and disintegrate the relationship among owner, manager, and employee. This second conflict is caused by no clear authority and limitation of each position in the organization, especially the owner where they agree to let Emma manage *Cornville* but somehow still try to make decisions directly to the employee X and Y. Make the employee confused about which leader they need to follow. Therefore Emma needs to establish clear authority and make employees listen to her because she is the one who oversees the entire operation more than the owners. This creates a conflict between owner and employee for not listening to them. And also for Emma and the owner for the inappropriate task intervention.

In order to resolve disputes and preserve business harmony, conflict management is crucial in family enterprises. Conflicts within family businesses, however, may be more intricate due to emotional ties and ownership issues. Conflicts over decision-making and power in *Cornville* cause workflow issues and strained relationships. To address these issues and guarantee successful leadership and staff alignment, it is essential to have clear authority and respect for responsibilities that have been assigned. For the purpose of locating and resolving the underlying causes of family business conflicts, effective conflict management is essential.

4.2.3 Resource management

According to the resource-based perspective, resources serve as the cornerstone of a firm's long-term competitive advantage and performance (Barney, 1991). The management of resources is thus complicated on two levels by family. First, the family gives to the company some resources like funds, networks, or knowledge.

The second way the family meddles with resource management is through resource configuration, which includes resource selection, deployment, bundling, leveraging, and also shedding (Sirmon and Hitt, 2003).

The 70 million baht loan and network of suppliers and customers that are provided by the family member gives a substantial amount of advantage in terms of funding and networks to the company. However, the deep knowledge and the understanding of the agriculture industry are still relatively low. As can be demonstrated by not knowing how to speculate the quality of *corn* cob and how the level of humidity effects on reducing the weight after roast. Moreover, price fluctuation knowledge and logistic knowledge is also missing which makes it challenging for *Cornville* to maximize its revenue.

Zellweger (2017) explains that family businesses should therefore have an edge in the accuracy of resource selection and addition. Resource selection's effect on an organization's performance and the factors that influence it are the resources available (such as money) and its capacity to use those resources effectively (such as strategic planning). Family-owned enterprises need to make sure that they utilize both resources effectively. In this case, almost 90% of the capital resources are spent in building the silo plant and only reserved around 10% in cash flow. Even the selling batch makes a loss because of a lower price in a certain time. The company still needs to force sales in order to collect cash to sustain cash flow to pay the debt, interest, and cost which need to be paid at the end of every month. However, because of lack of cash flow the company doesn't have enough money to fill the remaining 450 ton silo capacity.

The resource-based perspective concludes that resources are essential to a firm's success and ability to compete. Although the family contributes funds and networks, their insufficient understanding of the agricultural sector makes it difficult to maximize profits. Family enterprises must carefully choose and use their resources in accordance with the limited funds available. Resource configuration is essential. Due to insufficient cash flow caused by *Cornville's* significant investment in the silo plant, the company was obliged to sell its remaining silo capacity at a loss.

CHAPTER V
CONCLUSIONS / RECOMMENDATIONS / LIMITATIONS

5.1 Conclusions

The situation in *Cornville* is a great illustration of the potential difficulties and traps that might beset a family-owned firm. The operational problems that finally caused *Cornville's* downfall were the result of a string of errors in governance, conflict resolution, and resource management. In terms of governance, *Cornville* suffered from issues including inadequate communication and dysfunctional decision-making processes within the family firm. Conflicts over leadership responsibilities and a lack of a defined decision-making structure made this clear. There was no established family council or assembly that could have provided a useful setting for organized and frequent conversations. A family constitution, which might have defined the rules of operation for the company and the responsibilities of the family members, was also sadly lacking.

The absence of conflict management procedures made things worse when disagreements within the company occurred, as they invariably do. The members of *Cornville* were unable to amicably settle their issues, which only served to fuel them into full-fledged confrontations. This not only caused pressure in the family connections, but it also interfered with the company's regular operations. Any family business must have clear conflict resolution procedures in order to maintain harmonious relationships and ensure efficient operations.

Another area where *Cornville* struggled greatly was resource management, or rather the lack of it. The people of *Cornville* had a lot of resources at their disposal, but they couldn't use them well. Their silo plant construction took up the majority of their capital, leaving little left over for cash flow management. Additionally, because they lacked industry-specific information, they frequently bought *corn* cobs that didn't satisfy the required quality standards, resulting in significant losses. These problems were made worse by Liam's unexpected exit, who was the main business's founder. The surviving family members struggled to fill his shoes since there was no succession plan, and none of them had the necessary skills.

In conclusion, the *Cornville* instance illustrates the variety of difficulties that might develop in a family-owned business. It emphasizes the necessity of transparent governance frameworks, successful conflict resolution procedures, effective resource management, and thorough succession planning. Additionally, it underlines how crucial industry-specific knowledge and experience are to a business's successful functioning. Despite the loss of *Cornville*, the narrative has many significant lessons for other family-run businesses. A family business is more than just a for-profit enterprise; it also represents a legacy that the family wants to protect and transmit to the next generation. Striking a balance between preserving familial ties and effectively running the firm is crucial if this legacy is to endure.

5.2 Recommendations

The suggestions below are centered on governance, conflict management, and resource management. The goal is to assure improved performance and longevity in the setting of a family-owned enterprise. Increase the chance the the succession to the future generation and reduce risk of setback, challenge, and failure that the enterprise can face if not set up these kind of management properly:

5.2.1 Governance

Establish Clear Structures: For family businesses like *Cornville*, it's critical to establish transparent governance frameworks. They ought to think about establishing a Family Council and Assembly, a formal forum for frequent gatherings where family members can talk about and settle business-related matters. This encourages effective decision-making and guarantees that all members of the family are informed and have a voice. Involve

Create a Family Constitution: A family constitution is a useful instrument for laying out the framework for the activities of the family company. It outlines expectations for family members' conduct in a professional setting, defines their responsibilities, and specifies how to handle internal conflicts and succession. Misunderstandings can be reduced and family conflicts can be handled more impartially and professionally by adopting a family constitution.

5.2.2 Conflict Resolution Mechanisms:

Clear Delegation of Authority: Roles and responsibilities within the company should be clearly defined and respected in order to prevent misunderstandings and power disputes. This can be achieved by setting up the family organization chart which clearly defines who incharge in which role and authority. Every family member needs to be aware of their responsibilities and level of authority. Conflicts will be reduced as a result, and the company will run more smoothly.

Conflict Dispute: As the nature of family business will inevitably have conflict due to the emotional connections present in family enterprises which can be magnified. Therefore, having a formalized method of resolving disputes inside the family is crucial. This can entail creating a committee or hiring an unbiased third party to settle disagreements. Family members should be encouraged to express their concerns in an honest and open manner, keeping in mind that the ultimate goal is to resolve the disagreement in the company's best interests.

5.2.3 Resource Management:

Knowledge management: Improve industry knowledge to better manage resources. Knowledge is a key resource for any firm. A greater comprehension of the agricultural sector and the qualities of the product might have led to better choices in the instance of *Cornville*. It is important to urge family members to learn everything they can about the business they are involved in, either through training, workshops, or frequent industry updates. The company should also include the knowledge handover procedure before some stakeholder leaving the company to make sure the continuity of the company.

Strategic Financial: It is crucial for the family-owned enterprise to have a solid financial strategy planning in the first place before starting investing and allocate the financial resources in business. Budgeting planning needs to consider capital purchases, operating costs, and unforeseen costs are all part of this. As is making sure there is enough cash flow for day-to-day operations. Businesses should think about having a reserve of money to lessen the effects of unforeseen problems or disasters.

Careful Resource Allocation: The business's resource allocation practices should be carefully considered. The resource is not limited to financial resources only according to Sirmon and Hitt (2003) it should also consider talent and human capital. This should be consistent with the strategic goals of the company, ensuring that resources are used effectively and efficiently for the greatest possible output.

If followed, these recommendations can assist family businesses in overcoming the particular difficulties they have and establishing a positive and effective work environment. Establish systematic workflow in the company to reduce the odds of emotional involvement from the family into the business. By setting these following mechanisms, the family-owned enterprises can improve their performance, assure their longevity, and maintain family peace by putting an emphasis on strong governance, effective conflict management, and strategic resource management.

5.3 Limitation

The limited generalizability of a thematic paper that focuses on the analysis of a specific case study of management problems that contribute to the failure of a family firm is one of its limitations. It could be difficult to generalize the analysis' findings and conclusions to other family businesses or industries because it is based on a single scenario. It is vital to recognize some limitations that may affect the generalizability and scope of the findings, even though the chosen study technique offers insightful analysis into the management problems causing family companies to fail.

The single family firm in the *corn* silo industry that is the subject of this study limits the applicability of the writer's conclusions to other family businesses or sectors. The particular family business's distinctive traits, setting, and experiences could not accurately reflect those of the larger group of family firms operating in the same sector. Future researchers can use mixed-methods approaches that blend qualitative and quantitative data from various sources or comparative studies that compare many case studies to lessen this constraint. This would increase the generalizability of the results and give a more thorough understanding of the management problems causing family companies to fail.

In conclusion, even if a thematic paper that focuses on a single case study of management problems that cause a family business to fail has limitations in terms of generalizability, it can be used as a starting point for understanding the difficulties in managing a family business. To confirm and build on the findings, additional research utilizing comparative methods and longitudinal studies is required. This will help us gain a more complete understanding of the difficulties family businesses face and make it easier to create strategies that will ensure their long-term success.

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