

BESSH-16**Boosting Family Business Successor's Ability and Motivation A Case of Thai Trading Companies**Nattamon Chanaphan^{1*}, Jessada N. Tangchitnob²¹*School of Management, Shinawatra University, Thailand*²*Institute of Public Administration and Governance, Shinawatra University, Thailand*

Abstract

The worldwide phenomenon of *third generation decline* in family business has been attributed to the successors' declining entrepreneurial motivation and imperfect conditioning given by their predecessors. Given the impact of family businesses on the world economy, this study sought to qualitatively find out, via a series of in-depth interviews during November - December 2015, the extent of the extent of family business successionsuccess and the factors providing the successors with more ability, more motivation, and/or less obstacle in succeeding his/her family business from ten successors of the Stock Exchange of Thailand listed family trading businesses. For the former objective, findings revealed that the successions were only somewhat successful for almost half of the sample group reported their first year business performance as "poorer than last year". For the latter, successor's willingness in taking the helm, advance preparation of the successor for succession, predecessor's trust in the successor's capability, rewards from working with the family business, courteousness of familial environment, and capable team were essential factors identified by the successors. The finding on capable team as one of the factors calls for further review of theories on family business succession success. For practical contribution, family business predecessors mightconsider manipulating these factors in their succession process.

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Keywords— Family business, Succession, Motivation, Ability

Introduction

A family business is a business controlled by a group of ruling family members (Venter, E., Boshoff, C., & Maas, G., 2005). A major factor in a family-owned business is the ability to systematically and successfully transferand foster management philosophies and values from one generation to the next(Ward, 2005).Nonetheless, research around the world revealed that only 30 percent of family-owned businesses could be transferred from the first generation to the second and the success rate went down to only 10 percent from the second to the third. This is known as the worldwide phenomenon of *third generation decline*. Yet, fewer than three percent survive to the fourth generation and beyond (European Family Businesses, 2012). The successors' decreased entrepreneurial motivation from one generation to the next (Landes, 1965) and imperfect preparation, training, and mentoring given by the predecessorshave been believed to be the major causes of it.

Given the importance of family-owned businesses to the world economy, their impact on economic development (Lank, 1994; Pereira, Lisoni, & Serra, 2007; Ward, 1988), and their role as the biggest source of employment (Carraher, 2005; Carraher&Carraher, 2006), this research aims to expand the body of knowledge in this area by investigating 1) how successful those family owned business successions were and 2)what provided the successors with more ability, more motivation and/or less obstacles in succeeding his/her family business. The scope of the study was limited to conduct through ten in-depth interviews on the trading sector of the Stock Exchange of Thailand.

*All correspondence related to this article should be directed to Nattamon Chanaphan, from School of Management, Shinawatra University, Thailand.

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Literature Review

Perceived success of succession has been identified in two facets: 1) the stakeholders' satisfaction with the succession process (De Massis, Chua, & Chrisman, 2008; Goldberg, 1996; Harvey & Evans, 1995) for the stakeholders are inclusive of predecessor, successor, family members, business affiliates, etc. (De Massis, Chua, & Chrisman, 2008; Goldberg, 1996; Harvey & Evans, 1995) and 2) the succession effectiveness or the business performance after the completion of the succession process (Handler, 1994; Morris, Williams, Allen, & Avila, 1997).

Research has pointed out that the perceived success relates to the successor's willingness to take the helm (Dumas, Dupuis, Richer, & St.-Cyr, 1995; Stavrou, 1995), predecessor's trust in the successor's capability (De Massis, Chua, & Chrisman, 2008; Lam, 2015; Sharma, 2004; Venter & Boshoff, 2007), courteousness of the familial environment (Morris, Williams, Allen, & Avila, 1997; Santiago, 2000; Venter & Boshoff, 2006), and capable team (Chanaphan & Tangchitnob, 2015). Whereas, in terms of satisfaction relates to rewards from working with the family business (Handler, 1994; Sharma, 2004; Venter, Boshoff, & Maas, 2005). In terms of performance relates to advance preparation of the successor for succession (Venter, Boshoff, & Maas, 2005).

Successor's willingness in taking the helm is important in a family-owned business's successful transition from one generation to the next (Bjuggren & Sund, 2000; Dumas, Dupuis, Richer, & St.-Cyr, 1995; Fox, Nilakant, & Hamilton, 1996; Matthews, Moore, & Fialko, 1999; Neubauer, 2003; Stavrou, 1999), and has equal importance to the willingness of the owner-manager to pass control of the business on to the successor (Sharma, 2004; Sharma, Chrisman, Pablo, & Chua, 2001). Willingness can be identified by the successor's desire to, happiness from, pride in, and excitement from joining the family business (Venter, Boshoff, & Maas, 2005).

Predecessor's trust in the successor's capability indicates the extent of the successor has been given the trust, encouragement, and opportunity from the predecessor in running the family business (Harvey & Evans, 1995; Lam, 2015; Neubauer & Lank, 1998). Trust could be perceived in terms of the predecessor's trust in the successor's ability to effectively work for the family, recognition of the successor's sense of responsibility, acknowledgement of the proposed business ideas from the successor, and the bestowment of decision-making power on the successor (De Massis, Chua, & Chrisman, 2008; Lam, 2015; Sharma, 2004; Venter & Boshoff, 2007).

Courteousness of familial environment indicates the quality of the relationships between the successor and his/her business-involved relatives (Morris, Williams, Allen, & Avila, 1997; Santiago, 2000; Venter & Boshoff, 2006). This quality could be assessed through the extent the family members protect their interests, demonstrate their trust, show their respect, participate openly in business discussions, and their appreciation of work contributions that family members give to each other (Morris, Williams, Allen, & Avila, 1997; Santiago, 2000; Venter & Boshoff, 2006).

Capable team indicates the extent of the successor has been given the support from team members in running the business. The support could be viewed in terms of the team members' willingness to follow the successor's lead, their ability to perform their tasks effectively, their sense of responsibility in performing their tasks, and a pleasant work environment where team members openly and constructively discuss business problems and opportunities with the successor (Chanaphan & Tangchitnob, 2015).

Rewards from working with the family business indicate the extent of enjoyment, personal satisfaction, and financial security that the successor will obtain from working with the family business (Venter, Boshoff, & Maas, 2005). Rewards can be tangible or intangible that is basic salary, fringe benefits, bonuses, dividends, etc. while includes fulfillment of personal needs, prestige of work and/or the position in the firm, etc. (Handler, 1994; Sharma, 2004; Venter, Boshoff, & Maas, 2005).

Advance preparation of successor for succession indicates preparing the successor with the capability to effectively carry out the assigned business tasks in the future, which generally, would take a long timespan, and in some cases, could start during the successor's childhood (Fischetti, 1997; Greenberg & Baron, 1997). It could take different forms and degrees. Examples that include formal and informal educations, external and internal work experiences, advice on tackling changes, competition, and other forms of risk management, advice on handling business rapport, and advice on handling rapport with employees (Lam, 2015; Venter, Boshoff, & Maas, 2005).

Based on the research and review, this study proposes two propositions:

P1: Most family-owned business successions were successful; and

P2: The successor's willingness to take the helm, the predecessor's trust in the successor's capability, the courteousness of the familial environment, a capable team, rewards from working with the family business, and advance preparation of the successor for succession were the factors that provide the successors with more ability, more motivation, and/or less obstacle in succeeding in their family-owned business.

Methodology

The objectives of this study were to find out 1) how successful those successions were in family-owned trading businesses from the Stock Exchange of Thailand and 2) what successors more ability, more motivation, and/or less obstacles in succeeding in the family business. A series of in-depth interviews were conducted during November-December 2015 with ten successors and top in-charge executives, all who were from the second generation or more, directly related to the business's founder, and actively engaged in the family-owned business. The interviewees were nine male and one female successor, aged between 27-46 years old. Most of them were of the second generation of the ruling family, while four interviewees were from the third generation. Six held master's degrees, three held bachelor degrees, and one held a doctorate degree. On average, this sample group had 13.3 years of work experience.

Table 1
Profile of interviewed respondents

Respondent	Area of Business of Family Firm	Gender	Age	Gene Ration	Educational Level	External Experience	Year in Family Firm	Current Position
1	Consumer products	M	38	3 rd	Doctoral	5 yrs. related	6	Executive Vice President
2	Consumer products	M	37	3 rd	Master's	2 yrs. related	10	Managing Director
3	Consumer products	M	41	2 nd	Master's	3 yrs. related	15	Executive Vice President
4	Construction materials	M	45	2 nd	Master's	No	19	Executive President
5	Jewelry	F	35	2 nd	Master's	2 yrs. related	15	Executive Vice President
6	Kitchen ware	M	38	2 nd	Master's	2 yrs. related	11	Managing Director
7	Sanitary ware	M	27	2 nd	Bachelor's	No	2	Managing Director
8	Safety products	M	34	2 nd	Master's	1 yr. related	8	Managing Director
9	Consumer Products	M	46	3 rd	Bachelor's	No	20	Executive President
10	Consumer Products	M	38	3 rd	Bachelor's	No	12	Managing Director

Table 2
Business performances

Business Performance	Advancing	Unchanged	Declining
First year(after the completion of the succession process)	3 (30.0%)	3 (30.0%)	4 (40.0%)
After first year up to the moment	7 (70.0%)	3 (30.0%)	0 (0.0%)

Table 3
Successor's willingness, and factors identified as essential

Successor's Willingness in Taking the Helm	Willing	Neither	Unwilling
In the first place	7 (70.0%)	2 (20.0%)	1 (10.0%)
At the moment	7	2	1

	(70.0%)	(20.0%)	(10.0%)
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Table 4
Factors identified as essential

Factors Identified as Essential	Total	Received	NOT Received
1 Predecessor's Trust in the Successor's Capability	30	24 (80.0%)	6 (20.0%)
Having predecessor's trust inability to work for the family business	7	7	0
Having predecessor's recognition of sense of responsibility	7	7	0
Having successor's acknowledgement of proposed business ideas	8	5	3
Having bestowed upon decision-making authority	8	5	3
2 Courteous Familial Environment	26	11 (42.3%)	15 (57.7%)
Family members protect each other's interests.	6	2	4
Family members trust each other	4	3	1
Family members have respect for each other	4	4	0
Family members openly and constructively communicate about business among each other	6	0	6
Family members appreciate each other's dedication to the business.	6	2	4
3 Capable team	10	9 (90%)	1 (10%)
Team members' willingness to follow the lead	4	4	0
Team members' ability to perform given tasks effectively	3	3	0
Team members' sense of responsibility in performing given tasks	3	3	0
Pleasant work environment where team members openly and constructively discuss about business problem solving	1	0	1
4 Rewards from Working in the Family Business	27	22 (81.5%)	5 (18.5%)
The characteristics of work that fit with personal needs	8	5	3
The pay and benefits from the work	7	6	1

The non-monetary benefits from the work	7	6	1
The prestige of working in this company	5	5	0
5 Advance preparation of the successor for succession	39	28 (71.8%)	11 (28.2%)
Being prepared to cope with the changes in business environment and fierce competition	6	2	4
Being provided with essential information on how to keep good relationship with external stakeholder	10	7	3
Being provided with essential information and tactics on how to keep good relationship with veteran employees in the company	3	3	0
Being prepared/provided with work-relevant educational background	6	5	1
Given the chance to gain new/additional work-relevant knowledge/information from training/seminar	2	2	0
Given the chance to have external work experience before joining the family business	6	5	1
Given the chance to climb the corporate ladder to gain internal work experience	6	4	2
All Factors	132	94 (71.2%)	38 (28.8%)

Findings

As for the first research question, in terms of successor's satisfaction over the succession process, a total of 132 essential treatments were identified or required by the successors. Not all of them were delivered; 38 essential treatments (28.8%) were not received. Among these "not received" which could be interpreted as "not satisfactory", courteous familial environment ranked first (57.7%; 15 counts of not received from 26 counts of identified total). Advance preparation of the successor for succession ranked second (28.8%; 11 counts of not received from 39 counts of identified total) while the third was rewards from working with the family business (18.5%; 5 counts of not received from 27 counts of identified total). The fourth and the last were predecessor's trust in the successor's capability (20.0%; 6 counts of not received from 30 counts of identified total) and capable team (10.0%; 1 counts of not received from 10 counts of identified total), respectively.

In terms of the performance in their first year after the completion of succession, four successors reported having "poorer than last year" performance, three reported having "better than last year" while another three reported "unchanged" performance. Nonetheless, when asked for average performance under their leadership after the first year up to the present time compared to the past performance by their predecessor, the majority (70%) reported having better performance than in the past while only three reported having the same level of performance as that of the past. These findings supported only partly the validity of P1.

As for the second research question, when asked whether they were willing to take the helm in the first place, one (10%) was unwilling, if not upset (e.g., "NO!, I do not want to do this job, it has no whatsoever working systems here, I want to quit soonest!"); two (20%) stated that they were neither not happy nor not unhappy (e.g., "it is okay, I have the work and that means I have salary, life is so easy and comfortable here); and seven (70%) recalled that they were

happy at leading their family firm (e.g., “this company is supposed to be mine I have involved in this company since I was young, I believe I know almost everything about running this business, and now I have a chance to make it better). Their answers were unchanged when asked about their willingness at the present time.

When asked to identify the factors, which they believed, enhancing their abilities and motivation and lessening obstacles, they identified the following factors. The most frequently identified factor was advance preparation of the successor for the succession (freq.=39; 29.5%) (e.g., “my father prepared me to be inherited of his position and responsibilities since I was young, he told me everything about his work almost all the times, the only three exceptions were when I was in bed or in the bathroom and when I was away”); predecessor’s trust in the successor’s capability ranked second (freq.=30; 22.7%) (e.g., “my mother gave me the chance to ‘trial and error’, gave me emotional support and advices when I fail”); rewards from working with the family business ranked third (freq.=27; 17.4%) (e.g., “I get most of the things, and of course those non-things that I want, let alone the money thing”); courteous of familial environment ranked fourth (freq.=26; 16.8%) (e.g., “I know you know that blood is thicker than water, it is good to work among close relatives who you can frankly discuss any business secrets”); and capable team ranked the last (freq.=10; 7.5%) (e.g., “I am very lucky that I have a very good and able team to support me to every way, I cannot imagine how my work life would be without them”). Given all of these, P2 is true.

Discussion

On what provided the successors with more ability, more motivation, and/or less obstacle in succeeding their family business, the finding on the successor’s willingness in taking the helm confirms with those from Dumas, Dupuis, Richer, & St.-Cyr (1995) and Stavrou (1995). The finding on advance preparation of the successor for succession confirms with that from Venter, Boshoff, & Mass (2005). The finding on predecessor’s trust in the successor’s capability confirms with those from De Massis, Chua, & Chrisman (2008); Lam (2005); Sharma (2004); and Venter & Boshoff (2007). The finding on rewards from working with the family business confirms with those from Handler (1994); Sharma (2004); and Venter, Boshoff, & Mass (2005). The finding on courteousness of familial environment confirms with those from Morris, Williams, Allen, & Avila (1997); Santiago (2000); and Venter & Boshoff (2006). Lastly, the finding on capable team, confirms which that from Chanaphan & Tangchitnob (2015). This research gives support to notion that the aforementioned factors provide the family business successors with more ability, increased motivation, and/or less obstacle in succeeding in their family-owned business. Nonetheless, the validity of capable team, which is a pioneering concept, as one of the essential factors requires additional thorough scrutiny from academicians and concerned parties before the expansion of this body of knowledge can be confirmed.

As a practical contribution to support the future of family-owned businesses and their impact on the global economy, findings from this study will provide family-owned business owners/controllers with insights on preparing their successor for future generations. Nevertheless, application of these findings should be implemented with cautions due to the fact this study was limited its scope on sample size and industry, and therefore the representativeness is compromised.

Implications

In order to provide the successors with more ability in succeeding the family business, predecessors may consider employing advance preparation of successor for succession and provide the successor with a capable team. In order to provide the successor with more motivation and/or less obstacle to success, and to enhance the successor’s willingness to take the helm, the predecessor might consider making certain of having courteous familial environment, providing the successor with a capable team, showing trust in the successor’s capability, and providing reasonable rewards for the successor for working with the family business. Academically, future research might expand its scope to other industries to make comparison between various sectors of business. For a long-term future, conducting quantitative research with a much larger sample-size, spanned across numerous industries, should be considered.

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