

Boosting Family Service Business Successor's Ability and Motivation

การเสริมความสามารถและแรงจูงใจของทายาทธุรกิจครอบครัวด้านการบริการ

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Abstract

The worldwide phenomenon of third generation decline in family business could stem from diminishing entrepreneurial motivation of the successors or from imperfect conditioning of the successors by their predecessors. Given the significance of family business to the economy, this study sought to qualitatively find out what provided the successors with more ability, more motivation, and fewer obstacles in succeeding their family business and how successful family business successions were. The research sample covered ten successors from SET listed family service businesses. Despite the supportive findings, concluding that most successions were totally successful would be naive. On factors boosting family service business successor's ability and motivation, the study pointed out that having capable team together with five other factors were essential. Family business predecessors might consider manipulating these factors in their succession process.

Keywords : Family business, Succession, Ability and Motivation

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บทคัดย่อ

การเสื่อมสลายในรุ่นที่สามของธุรกิจครอบครัวอาจเกิดขึ้นจากการลดลงของแรงจูงใจในการประกอบการของทายาทธุรกิจหรือเกิดขึ้นจากการเตรียมการเพื่อการสืบทอดธุรกิจที่ไม่สมบูรณ์ของผู้ดำรงตำแหน่งก่อนด้วยความตระหนักในความสำคัญต่อระบบเศรษฐกิจของธุรกิจครอบครัวการวิจัยนี้จึงศึกษาในเชิงคุณภาพว่าการสืบทอดธุรกิจครอบครัวประสบความสำเร็จเพียงใดและปัจจัยใดช่วยเพิ่มความสามารถและแรงจูงใจให้แก่ทายาทธุรกิจและหรือช่วยลดอุปสรรคในการสืบทอดธุรกิจ จากทายาทธุรกิจของสิบธุรกิจครอบครัวด้านบริการที่จดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทย แม้ว่าผลวิจัยจะให้การสนับสนุนบางส่วนแต่ไม่สามารถสรุปได้ว่าการสืบทอดธุรกิจครอบครัวประสบความสำเร็จในทุกด้านทั้งนี้ปัจจัยการมีทีมที่มีความสามารถร่วมกับปัจจัยอื่นๆอีกห้าปัจจัยเป็นปัจจัยที่ทายาทธุรกิจระบุว่าช่วยเพิ่มความสามารถและแรงจูงใจให้แก่ทายาทธุรกิจและหรือช่วยลดอุปสรรคในการสืบทอดธุรกิจผู้ส่งมอบธุรกิจครอบครัวอาจพิจารณาจัดการปัจจัยเหล่านี้ให้มีความเหมาะสมสอดคล้องกับบริบทของกระบวนการสืบทอดธุรกิจของตน

คำสำคัญ : ธุรกิจครอบครัว, การสืบทอดธุรกิจ, ความสามารถและแรงจูงใจ

Introduction

A family business could be either a business that is run, managed, and controlled by a family or a business that is run under the policies and/or strategies set by that particular family (Venter, Boshoff, & Maas, 2005). Generally, these philosophies would be transferred systematically from one generation to the next generation in order to make certain that the family would still have the control over its company, let alone fostering its success (Ward, 005). Nonetheless, findings from research around the world have revealed that only 30 percent of family business could be transferred from the first generation to the second and only 10 percent from the second to the third. What is worse is that fewer than three percent survive to the

fourth generation and beyond (European Family Businesses, 2012).

This worldwide phenomenon of *third generation decline* could be the result of gradually decreased entrepreneurial motivation of the business successors from generation to generation (Landes, 1965). It could possibly stem from imperfect preparation/conditioning of the successors by their predecessor.

Given the importance of family businesses to the world economy as the key driver of global economic development (Lank, 1994; Pereira, Lisoni, & Serra, 2007; Ward, 1988) and the biggest source of employment (Carraher, 2005; Carraher & Carraher, 2006), more understanding of the successors' thought on what equipped them with more capabilities for taking the helm would provide to the predecessor – to be the invaluable insights for the succession process to come. Therefore, this study sought to find out, through in-depth interviews, what provided the successors with more ability, more motivation, and fewer obstacles in succeeding their family business and how successful family business successions were. It limited its scope on service sector with ten interviewees.

Literature Review

Research has pointed out that the perceived success relates to **successor's willingness in taking 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), and **courteousness of familial environment** (Morris, Williams, Allen, & Avila, 1997; Santiago, 2000; Venter & Boshoff, 2006). Whereas in terms of satisfaction, it relates to **rewards from working with the family business** (Handler, 1994; Sharma, 2004; Venter, Boshoff, & Maas, 2005) and in terms of performance, it relates to **advance preparation of the successor for succession** (Venter, Boshoff, & Maas, 2005).

Successor's willingness in taking the helm has vital role in the successful transition of business 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). It has been measured through extents of successor's desire of, happiness from, pride of, and excitement from working with the family firm (Venter, Boshoff, & Maas, 2005).

Predecessor's trust in the successor's capability implies the extent of opportunity and support given to the successor in running the family business at will (Harvey & Evans, 1995; Lam, 2015; Neubauer & Lank, 1998). Research has operationalized it into predecessor's trust in successors's ability to effectively work for the family, recognition of successor's sense of responsibility, acknowledgement of proposed business ideas from the successor, and bestowment of decision-making power on the successor (De Massis, Chua, & Chrisman, 2008; Lam, 2015; Sharma, 2004; Venter & Boshoff, 2007).

Courteousness of familial environment brings to light the nature and quality of relationships among relative who, in some fashion, have a stake in the firm and at the same time implies relationship between the relatives and the successor. It has been measured by the extents of how family members protect each other's interest, trust each other, have respect for each other, discuss business among each other, and appreciate each other's contribution to the firm (Morris, Williams, Allen, & Avila, 1997; Santiago, 2000; Venter & Boshoff, 2006).

Rewards from working with the family business help attract the successor to the family business (Fox, Nilakant, & Hamilton, 1996; Stavrou, 1995) via the enjoyment, personal satisfaction, and financial security associated with working with the firm (Venter, Boshoff, & Maas, 2005). Rewards could be tangible or intangible. Tangible rewards include basic salary, fringe benefits, bonus, dividend, etc. Intangible

rewards include fulfillment of personal needs, prestige of the position, etc. Research has conceptualized it into need fulfillment, prestige of work, monetary benefits, and non-monetary benefits (Handler, 1994; Sharma, 2004; Venter, Boshoff, & Maas, 2005).

Preparation for succession given to the successor is the process of preparing the successor to be able to carry on the assigned business tasks in the future. Generally, the process takes a long time. In some, if not most, cases, the preparation began during the successor's childhood (Fischetti, 1997; Greenberg & Baron, 1997). The content provided would include formal education, external work experience, internal work experience, and relationship management. Preparation has been measured through the extents of preparation given to the successor on tackling changes and competition, handling business rapport, handling rapport with employees, having relevant education, having extra knowledge, having relevant external work experience, and having work experience internally (Lam, 2015; Venter, Boshoff, & Maas, 2005).

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

Based on the review, this study proposes 2 propositions:

P1: Successor's willingness in taking the helm, predecessor's trust in the successor's capability, courteousness of familial environment, 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 fewer obstacles in succeeding their family business; and

P2 : Most family business successions were successful.

Methodology

This study sought to qualitatively find out, through in-depth interviews, 1) what provided the successors with more ability, more motivation, and fewer obstacles in succeeding their family business; and 2) how successful those successions were in the Stock Exchange of Thailand listed family service businesses. Interviewed were ten successors and top in-charge executives of the business from the ruling families. The interviewees were eight male and two female successors, aged between 26-45 years old. Seven were of the second generation of the business founder's family while three were of the third generation. Seven held their master's degree, two held their bachelor's, and only one held his doctorate. On the average, this sample group had 10.2 years of total work experience.

Table 1 Profile of the Interviewed Respondents

Respondent	Area of Business of Family Firm	Gender	Age	Generation	Educational Level	External Experience	Year in Family Firm	Current Position
1	Media	M	35	3	Master's	1 yr. but not related	10	Executive Director
2	Education	M	31	3	Doctoral	No	7	Executive Director
3	Financial	M	33	2	Bachelor's	No	5	Managing Director
4	Hospitality	M	31	2	Master's	1 yr. but not related	5	Executive Director

5	Entertainment	F	33	3	Master's	No	5	Executive Vice President
6	Hospitality	F	26	2	Master's	No	6	Managing Director
7	Logistic	M	33	2	Master's	No	4	Managing Director
8	Entertainment	M	40	2	Bachelor's	No	18	Managing Director
9	Car Rental	M	45	2	Master's	No	21	Managing Director
10	Consultant	M	40	2	Master's	2 yrs. related	17	Executive Vice President

Table 2 Successor's Willingness

Successor's willingness in taking the helm	Willing	Neither Willing nor Unwilling	Unwilling
Initially	4 (40.0%)	3 (30.0%)	3 (30.0%)
Presently	7 (70.0%)	3 (30.0%)	0 (0.0%)

Table 3 Factors Identified as Essential*

Factors Identified as Essential by the Successor	Total	Received	NOT received
1 Predecessor's Trust in the Successor's Capability	24	22 (91.7%)	2 (8.3%)
1.1 Having predecessor's trust in the ability	7	7	0

to work in this firm			
1.2 Having predecessor's recognition of the sense of responsibility	6	6	0
1.3 Having successor's acknowledgement of proposed business ideas	5	4	1
1.4 Having bestowed upon decision-making authority	6	5	1
2 Courteous of Familial Environment	17	13	4
		(76.5%)	(23.5%)

Table 3 (continue)

Factors Identified as Essential by the Successor	Total	Received	NOT received
2.1 Pleasant familial environment where family members protect each other's interests.	2	1	1
2.2 Pleasant familial environment where family members trust each other.	2	2	0
2.3 Pleasant familial environment where family members have respect for each other.	4	4	0
2.4 Pleasant familial environment where family members openly and constructively communicate about business among each other	5	4	1

2.5 Pleasant familial environment where family members appreciate each other's dedication to the business.	4	2	2
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* N.B. Despite the research sample size of ten, total count of each item was not necessarily ten for not all interviewees cited all items.

Table 4 Factors Identified as Essential (Cont'd)

Factors Identified as Essential by the Successor	Total	Received	NOT received
3 Rewards from Working in the Family Business	23	19 (82.6%)	4 (17.4%)
3.1 The characteristics of work that fit my needs	7	7	0
3.2 The pay and benefits from the work	7	3	4
3.3 The non-monetary benefits from the work	3	3	0
3.4 The prestige of working in this company	6	6	0
4 Advance preparation of the successor for succession	40	26 (65.0%)	14 (35.0%)
4.1 Being prepared to cope with the changes in business environment and fierce competition	7	6	1
4.2 Being provided with essential information on how to keep good relationship with external stakeholder	8	7	1

4.3 Being provided with essential

information and tactics on how to

6

2

4

keep good relationship with veteran

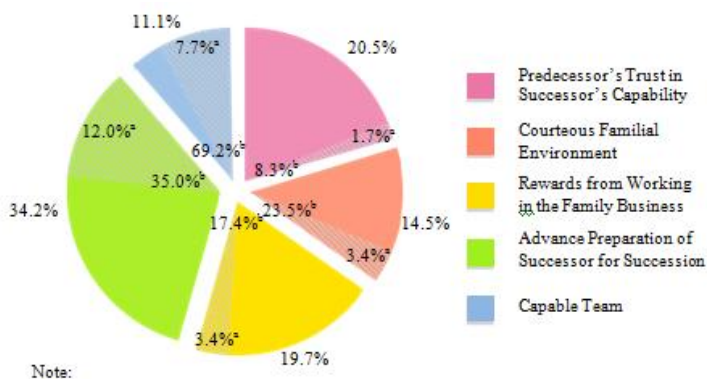
employees in the company

Table 4 (continue)

Factors Identified as Essential by the Successor	Total	Received	NOT received
4.4 Being prepared/provided with work-relevant educational background	8	7	1
4.5 Given the chance to gain new/additional work-relevant knowledge/information from training/seminar	3	1	2
4.6 Given the chance to have external work experience before joining the family business	4	1	3
4.7 Given the chance to climb the corporate ladder to gain internal work experience	4	2	2
5 Capable Team	13	4 (30.8%)	9 (69.2%)
5.1 Team members' willingness to follow the successor's lead	4	1	3

Table 4 (continue)

Factors Identified as Essential by the Successor	Total	Received	NOT received
5.2 Team members' ability to perform their tasks effectively	5	3	2
5.3 Team members' sense of responsibility in performing their tasks	1	0	1
5.4 Pleasant work environment where team members openly and constructively discuss business problem with the successor	3	0	3
Total	117	84 (71.8%)	33 (28.2%)



Note:

- 1) Patterned area signify factor identified but not received
- 2) “a” is percentage of “identified but not received” compared to total identifications of all factors
- 3) “b” is percentage of “identified but not received” of a factor compared to total identifications of that factor

Figure 1 Comparison of Factors Identified as Essential

Table 5 Family Business's Performance

Family Business's Performance	Advancing	Unchanged	Declining
After the completion of the succession process	4 (40.0%)	1 (10.0%)	5 (50.0%)
From first year under their lead up to present time	7 (70.0%)	0 (0.0%)	3 (30.0%)

Findings

As for the first research question, when asked whether they were willing to head the family business in the first place, the answers from the successors varied considerably and almost equally. Three of them (30%) were unwilling, if not upset (e.g., I wanted to work independently in Australia; I even had my own business started; pity that I had to sell everything out against my will and come back). Another three (30%) stated that they were neither not happy nor not unhappy (e.g., “it is okay with me to be in and lead the firm for I have been here since I was born; but I was not happy nor unhappy; it is just okay”). The other four (40%) recalled that they were happy leading the family firm (e.g., “I was so glad that they asked me; at first, I assumed that the elders would go for one of my cousins”).

Nonetheless, when asked if they were willing at the moment, those three who were unwilling in the first place stated that they were willing and happy (e.g., “as time pass by, with more experience and wider connection, leading this firm is, more or less, like being knighted”). Responses from the rest remained unchanged, anyhow.

When asked to identify those factors which help enhancing their abilities and motivation and reduced succession obstacles. The successor cited a total of 117 counts of five different factors comprised of 1) advance preparation of the successor for the succession (freq.=40; 34.2%) (e.g., “I was well prepared for working with this company; I was sent to study what this company wanted to know and was ordered to work with other company in order to comprehend ‘a salaryman’s life’”); 2) predecessor’s trust in the successor’s capability (freq. = 24; 20.5%) (e.g., “they, the elders, always give me compliments when I am doing good; when I disappointed myself with some mistakes in work, they always cheer me up by saying supportive words like *c’est la vie* and ‘fight!, my boy!’”); 3) rewards from working with the family business (freq.=23; 19.7%) (e.g., “the pay, the prestige, you name it, all are superb; it is very good to be here”); 4) courteous familial environment (freq.=17; 14.5%) (e.g., “do you not think it is good working with siblings who grew up together, who we have trust, who we can honestly exchange business views on the dining table?”); and 5) capable team (freq.=13; 11.1%) (e.g., “you know, having a good team to back you up on everything really helps, you can put three underlines here!”).

Given the findings, apart from those factors stated in the first proposition, having capable team, with 13 counts representing 11.1% of the total counts, was one of the essential factors that could not easily be dismissed or simply ignored. P1 is, therefore, partially true.

As for the second research question, in terms of successor's satisfaction of the succession process, the answer had two folds. From macro perspective, there were 33 counts of "identified but not received", made up of 28.2% of "identified total". In this regard, advance preparation of the successor for succession ranked first with 14 counts or 12.0%. Capable team, courteous familial environment, and rewards from working in the family business ranked second to fourth with 9 (7.7%), 4 (3.4%), and 4 (3.4%) counts, respectively. Predecessor's trust in the successor's capability had the least counts of 2 or 1.7%. From a micro view, considering ratio of "identified but not received" to "identified total", the successors seemed to be least satisfied with capable team for the ratio was highest at 69.2%. Advance preparation of the successor for succession, courteous familial environment, and rewards from working in the family business ranked second to fourth with 35.0%, 23.5%, and, 17.4%, respectively. Predecessor's trust in the successor's capability had the lowest ratio of 8.3%.

In terms of business performance after the completion of the succession process, half of the successors stated having "poorer than last year" performance in the first year of their lead while four reported having "better than last year" performance and one reported having "same as last year" performance.

Nonetheless, once asked for performance trend after first year under their lead up to the present, only three of them reported having declining

trend. The majority rest (70%) reported having “positive trend”.

Despite the supportive findings, it would be too naive to jump into the conclusion that most successions were successful; the fact that half of the successors had regressive performance under their first year leads so. P2 is, therefore, partially true.

Discussion

On what provided the successors with more ability, more motivation, and fewer obstacle in succeeding their family business, finding on successor's current willingness in taking the helm confirms with those from Dumas, Dupuis, Richer, & St.-Cyr (1995) and Stavrou (1995). A plausible explanation of the difference of willingness at different time could be that as time goes by, anxieties diminished and were replaced by familiarities with the work, people, and environment. Thus, willingness might be shifted toward the positive end of the unwilling-willing continuum.

The findings on predecessor's trust in the successor's capability and on courteousness of familial environment confirm with those from De Massis, Chua, & Chrisman (2008); Lam (2015); Sharma (2004); and Venter & Boshoff (2007) and those from Morris, Williams, Allen, & Avila (1997); Santiago (2000); and Venter & Boshoff (2006), respectively. Whereas, findings on rewards from working with the family business and on advance preparation of the successor for succession confirm with those from Handler (1994); Sharma (2004); and Venter, Boshoff, & Maas (2005) and that from Venter, Boshoff, & Maas (2005), respectively.

Finding on capable team as one of the factors is pioneering, if not the original, contribution of this research and it awaits scrutiny from academicians and concerned parties before this expansion of the body of knowledge could be confirmed.

This research confirms the validity of successor's willingness in taking the helm, predecessor's trust in the successor's capability, courteousness of familial environment, rewards from working with the family business, and advance preparation of the successor for succession as the factors that provide the successors with more ability, more motivation, and fewer obstacles in succeeding their family business. It also hints at the effect that different time reference could have on the findings of performance and successor's willingness in taking the helm. For practical contribution, findings from this study would provide family business owners/controlling partners with insights on preparing their successor for the future succession. Nevertheless, application of findings should be proceeded with cautions for the research scopes were limited on sample size and industry, thus compromised representativeness.

Implications

Practically, in order to provide the successors with more ability in succeeding the family business, the predecessor might consider employing advance preparation of the successor for succession and providing the successor with a capable team. In order to provide the successor with more motivation and/or less obstacle 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, at this pioneering stage, future research might be carried out in other industry to lay groundwork for making comparative research. For long-term future, conducting quantitative research with much larger sample size spanned across industries should be considered.

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