

*Research Report*

**PRIMA THAILAND:  
The Family and the Business**

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## **Executive Summary**

The PRIMA research project in Thailand is conducted by the Joint Doctoral Program in Business Administration (JDBA) at Thammasat University and is supported by Grant Thornton (Thailand) Ltd.

The main objective of this research is to investigate the concerns of family business on People and Relationship Issues in Management, hence the name PRIMA. Data collection is done through a nation-wide mail survey during June through July, 2001, using a bilingual version of the PRIMA standard questionnaire. Out of fourteen hundred mailed, two hundred and seven questionnaires were returned.

Two important aspects concerning family business investigated in this study are the nightmares and the role of the family in business.

**Nightmares** are issues that owners of family business are worried about. Generally, those issues not only result in emotional distress but also negatively affect the decision concerning the future of the business. Following are the five categories of nightmares facing family business:

- The family and the business
- Growth and control
- Wealth Preservation
- Equity dilution
- Personal conflicts

Findings on nightmares indicate that Thai owners of family business are worried more on the issues of wealth preservation and equity dilution than any other issues. Most of them do not consider much about selling off the business. They appear to have confidence in preparing for growth and control. In terms of personal conflicts, owners of business are concerned more with business partners and less with the members of the family. There seems to be a good cooperation among the family members on business-related issues.

**The role of the family** concerns the expectation of and the attitude toward participation of the family members in family business. These issues invariably shape the future of family business. Followings are the six categories of the issues concerning the role of the family:

- Management succession - The children
- Management succession - The family and the business
- Management succession - Family members joining and leaving the business
- Wealth preservation and distribution
- Family remuneration
- Advice

Findings on the role of the family suggest that there is a strong expectation of children's participation in the family business, although not at an early age. Most of Thai owners of family business believe their children should start from the bottom and work their way up. Although they believe in the succession of family members, they tend to keep an open option of who should be management successors. They tend to agree on establishing a set of criteria for selection of family members joining the business. They also believe that rivalry among siblings is not good for the business.

In terms of wealth distribution, Thai owners of family business strongly agree that those participating in the business should receive a part of ownership although there may be some disagreement on whether or not the family members should receive differential privileges than the employees.

Findings from this study suggest that few issues are perceived differently between founders and later generations of family business. In other words, there seems to be a little shift in the thinking and managing styles from one generation to another.

Few major differences between founders and later generations started from their characteristics and experiences:

- Founders generally have some working experience elsewhere before starting business while later generations tend to join the business straight from university or professional training.
- Later generations joined the business sooner and with no or little work experience, compared with their predecessors.

In addition, later generations appear to be more worried than the founders in all five categories of the nightmares mentioned above, especially on the issues of wealth preservation and growth and control of the business. Possibly, later generations are relatively inexperienced in their managing of the family business.

However, founders and later generations seem to agree on most issues concerning the six categories of the role of the family in business. They expect participation of family members in the business and hope that management successors would come from the family.

There are also several indications that owner-managers of family business are receptive to participation from parties outside the family, both for management and ownership.

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## INTRODUCTION

Family business, large or small, face similar double-loaded responsibilities, one concerning business, the other family situations. Therefore, owner-managers of family business tend to be more worried about the future of their business due to the intertwining of these two issues. Common issues facing family-business owners include:

- Should I ask my children to join the business?
- Would they be interested in carrying on what has been pioneered by their parents or grand parents?
- Will they be able to take good care of the business?
- How do I manage conflicts between my children and my brothers/sisters?
- How do I grow the business and still keep control in the family?
- Does bringing partners necessary? Should they be family members or professional managers?
- Would all employees be taken care of if I discontinue my role in the business?
- Etc.

The above questions come to the mind of the owner-managers of family business all times, most of the times without instant answers. Quite often, such questions result in worried and stress, and thus lead to the loss of concentration in business management and other potentially negative consequences.

PRIMA, People Relationship Issues ManAgement, research project is an international effort to shed some light on such issues facing family business around the world. The project aims to unveil not only the seriousness of the issues but also the alternatives of dealing with them.

PRIMA Thailand is conducted by the Joint Doctoral Program in Business Administration (JDBA) at the Faculty of Commerce and Accountancy, Thammasat University during June till September 2001. A mailing list was generated from various sources of business directory. Approximately, fourteen hundred bilingual standardized PRIMA questionnaires were mailed, two hundred and seven questionnaires returned.

Findings from this research are reported in subsequent sections and are organized as follows:

- **Participants of PRIMA Research in Thailand:** Discussions and analyses of the characteristics of the participants in this research.
- **Time Starting/Joining Family Business:** Findings on education and working experiences of the founders and later generations before joining the business.
- **Nightmares:** Findings on five major areas of difficult decisions and issues facing the owner-managers of family business.
- **The Role of the Family:** Findings on six major areas of the expectation of and the attitude toward participation of family members in the business.
- **Conclusions:** Summary of key findings from PRIMA research in Thailand.

## PARTICIPANTS OF PRIMA RESEARCH IN THAILAND

Family businesses participated in PRIMA research in Thailand are considerably balanced in terms of their characteristics i.e., half of them are founders while the other half are later generations. Half of the owners joined their family business with some working experience while the other half came straight from schools or universities. About sixty percent of the businesses are in the area of manufacturing and construction while the other forty percent are in the services business. In terms of business size, about sixty percent employ 100 or less full-time staff while the other forty percent employ more than 100 full-time staff.

The balanced profile of research participants should result in a good representative of family business in Thailand. In other words, findings from this research should be able to shed some light on the thinking of the owners of family business of diverse sizes and in various industries. The balance ratio between founders and later generations also enables us to effectively detect whether there is a shift in thinking and managing styles from one generation to another. Therefore, in presenting our findings, we compare and contrast the differences between founders and later generations wherever applicable.

Table 1 shows the participant profile of this research.

**Table 1**

<b>Participant Profile</b>	<b>Percentage (%)</b>
<b>Business Generation</b>	
▪ Founder	<b>50.2</b>
▪ Second	<b>39.1</b>
▪ Later	<b>10.7</b>
<b>Time Joining Business</b>	
▪ After school	<b>10.5</b>
▪ After university/college or professional training	<b>39.8</b>
▪ After working elsewhere	<b>49.7</b>
<b>Main Area of Business</b>	
▪ Manufacturing	<b>49.3</b>
▪ Construction	<b>13.2</b>
▪ Retailing	<b>12.7</b>
▪ Other services	<b>24.8</b>
<b>Number of Full-time Employees</b>	
▪ 100 or less	<b>59.8</b>
▪ 101 – 500	<b>25.3</b>
▪ Over 500	<b>14.9</b>

## TIME STARTING/JOINING FAMILY BUSINESS

On average, about one half of Thai owner-managers of family business started or joined the business straight after graduation while the other half did so after earning some working experience elsewhere. However, the numbers in Table 2 suggest that there is a significantly different pattern between founders and later generations. While two-third of founders started their business after working elsewhere, two-third of later generations joined the business straight after receiving their educational degree. In short, later generations joined the business much sooner than the founders and mostly with no working experience.

**Table 2**

<b>When did you start/join the business?</b>				
	After school	After university/college or professional training	After working Elsewhere	Total
▪ Founders	5.2	28.1	66.7	100.0
▪ Later Generations	15.8	51.6	32.6	100.0
<b>Total Samples</b>	<b>10.5</b>	<b>39.8</b>	<b>49.7</b>	<b>100.0</b>

**Pearson Chi-Square = 22.827, Degree of freedom = 2, p-value < .001**

Among owner-managers who had some working experience before joining the business, about 70% had less than 10 years of experience when joining the business. Again, as shown in Table 3, the pattern is different between founders and later generations. While about three quarters of founders started their business with more than 5 years of working experience, three quarters of later generations joined the business with less than 5 years of experience. In other words, later generations joined the business with little or significantly less working experience than the founders.

The trend for later generations joining the business sooner appears to be true for all the second, third, and later generations. As will be shown later, this characteristic of later generations invariably affects their business management skills and styles.

**Table 3**

<b>How many years before starting/joining the business?</b>					
	Less than 5	5 to 9.9	10 to 19.9	20 or more	Total
▪ Founder	26.0	32.5	32.5	9.0	100.0
▪ Second Generation	79.0	10.5	10.5	0.0	100.0
▪ Third Generation	80.0	20.0	0.0	0.0	100.0
▪ Later Generation	25.0	50.0	25.0	0.0	100.0
<b>Total Samples</b>	<b>44.4</b>	<b>25.8</b>	<b>24.2</b>	<b>5.6</b>	<b>100.0</b>

**Pearson Chi-Square = 34.218, Degree of freedom = 9, p-value < .001**

## NIGHTMARES

This section explores the issues that worried owner-managers of family business and many times kept them awake at night. These issues generally involve difficult decisions to be made by owner-managers in various aspects of their family business. PRIMA research has identified 5 key areas of such nightmare issues namely, the family and the business, growth and control, preserving wealth, equity dilution, and personal conflicts.

### ▪ The Family and the Business

Decision to bring family members into the business is always a difficult one. Should the children have a career of their choice? Should they bear the responsibility to carry on and grow the business started by their parents or grand parents? Would the children be capable of taking good care business?

About half of the owner-managers of family business leave the option of joining the business to their children. However, about one third of founders expect the children to join the business, compared with about one fourth of later generations. Interestingly, about one fourth of later generations decided that their children should not join the business, compared with less than 10% of the founders. In summary, there seems to be a higher expectation for the children to join the business from the founders than from later generations. Details are shown in Table 4.

**Table 4**

<b>If your children do not work in the business, do you intend that they should?</b>				
	Yes	No	Only if they want to	Total
▪ Founders	34.1	9.4	56.5	100.0
▪ Later Generations	27.5	24.7	47.8	100.0
<b>Total Samples</b>	<b>31.2</b>	<b>16.2</b>	<b>52.6</b>	<b>100.0</b>

**Pearson Chi-Square = 6.509, Degree of freedom = 2, p-value = 0.039**

Another family-related concern of the owner-managers of family business is whether or not their children would be able to take good care of business, given that they want to. The numbers in Table 5 indicate that a good percentage of both founders and later generations exhibit a similar pattern of concerns on this issue. One fourth of owner-managers of family business cannot sleep well because of this worry.

**Table 5**

<b>What can I do if my children do not perform well in the business?</b>				
	Sleep Easily	Concerned	Nightmares	Total
▪ Founders	47.1	31.4	21.5	100.0
▪ Later Generations	34.7	35.8	29.5	100.0
<b>Total Samples</b>	<b>41.1</b>	<b>33.5</b>	<b>25.4</b>	<b>100.0</b>

**Pearson Chi-Square = 3.314, Degree of freedom = 2, p-value = 0.191**

Interestingly, over half of the owner-managers of family business do not concern much about the future of their children had they decided not to join the business. Only one fourth of them are fairly concerned with this issue while only about 17% are having nightmares. There seems to be no significant differences between founders and later generations on this issue. Details are shown in Table 6.

**Table 6**

<b>If my children don't join the business, how can I provide for them separately?</b>				
	Sleep Easily	Concerned	Nightmares	Total
▪ Founders	60.8	24.5	14.7	100.0
▪ Later Generations	52.6	26.3	21.1	100.0
<b>Total Samples</b>	<b>56.9</b>	<b>25.4</b>	<b>17.8</b>	<b>100.0</b>

**Pearson Chi-Square = 1.753, Degree of freedom = 2, p-value = 0.416**

Decision to bring family members into the business seems to be easier, compared with that same decision for the children. A majority of owner-managers appear to sleep easily when it comes to this issue. However, the numbers in Table 7 suggest that a higher percentage of later generations, compared with founders, are concerned or having nightmares on this issue.

**Table 7**

<b>Should I bring family members into the business?</b>				
	Sleep Easily	Concerned	Nightmares	Total
▪ Founders	75.5	20.6	3.9	100.0
▪ Later Generations	55.8	29.5	14.7	100.0
<b>Total Samples</b>	<b>66.0</b>	<b>24.9</b>	<b>9.1</b>	<b>100.0</b>

**Pearson Chi-Square = 10.751, Degree of freedom = 2, p-value = 0.005**

▪ **Growth and Control**

There is always a time when owner-managers start to ask themselves about growth direction and strategies of the family business. Should they grow the business and how? What are potential positive and negative consequences of growing the business? The answers to these questions affect not only the owner-managers themselves but also the family members and the employees. Therefore, most likely than not that the issue of growth and control would worry owner-managers of family business.

First question that is likely to come to mind is whether they should grow the business? Should they expand and enjoy a higher market share? Or should they keep the business small and beautiful? There is always a tendency among management to endlessly expand, especially when they see the opportunities. Although growing business means more revenues, it also requires more resources and brings about more difficulty in business management. Consequently, this type of trade-off decisions usually results in some worries among the owner-managers of family business.

About 70% of owner-managers of family business expressed their concerned on the issue whether or not they should grow the business. In fact, almost 30% consider it to be a nightmare. The pattern of worries is similar between founders and later generations. As discussed earlier, this is probably a classic issue that every management has to face. Firms can get into a trouble of misdirected if management cannot answer this question effectively.

**Table 8**

<b>Do I really need to grow the business?</b>				
	Sleep Easily	Concerned	Nightmares	Total
▪ Founders	32.0	39.8	28.2	100.0
▪ Later Generations	29.5	42.1	28.4	100.0
<b>Total Samples</b>	<b>30.8</b>	<b>40.9</b>	<b>28.3</b>	<b>100.0</b>

**Pearson Chi-Square = 0.171, Degree of freedom = 2, p-value = 0.918**

Less than half of the owner-managers of family business know exactly how to finance their growth. About one third are fairly concerned while almost 20% are having nightmares on this issue. When compared between founders and later generations, a significantly higher percentage of later generations expressed their concern and admitted that they had nightmares on the issue (see details in Table 9).

**Table 9**

<b>How do I finance growth and still retain control?</b>				
	Sleep Easily	Concerned	Nightmares	Total
▪ Founders	58.3	25.2	16.5	100.0
▪ Later Generations	34.7	43.2	22.1	100.0
<b>Total Samples</b>	<b>47.0</b>	<b>33.8</b>	<b>19.2</b>	<b>100.0</b>

**Pearson Chi-Square = 11.313, Degree of freedom = 2, p-value = 0.003**

In terms of preparation for a change in life and work if the business has grown, about two thirds of the owner-managers of family business seem to prepare well for it. Only one third are concerned or having nightmares on this issue. Table 10 shows a similar pattern of worries for both founders and later generations. In summary, although they are not certain whether and how to grow the business, they believe that when the time comes, they will be ready for it.

**Table 10**

<b>How much would life change if I grew the business?</b>				
	Sleep Easily	Concerned	Nightmares	Total
▪ Founders	68.9	20.4	10.7	100.0
▪ Later Generations	62.1	22.1	15.8	100.0
<b>Total Samples</b>	<b>65.7</b>	<b>21.2</b>	<b>13.1</b>	<b>100.0</b>

**Pearson Chi-Square = 1.402, Degree of freedom = 2, p-value = 0.496**

▪ **Wealth Preservation**

Closely related to growth strategies is the issue of wealth preservation. Growing can bring about more wealth as well as higher failure risks. There are various options available to the owner managers of family business. They can grow the business and earn potentially more profits had the business is successful or they can simply sell off the business and make a sure profit. The question becomes more critical if all the wealth rests with the family business.

Almost 70% of owner-managers of family business are concerned or having nightmares on this issue, suggesting that they probably do not know whether the business could do better or how to do it. This finding is consistent with the worry on growth and control. The difference appears to rest with the fact that a significantly higher percentage of later generations, compared with founders, appear to be more worried about this issue (Table 11).

**Table 11**

<b>Could the business do better for me?</b>				
	Sleep Easily	Concerned	Nightmares	Total
▪ Founders	40.8	35.9	23.3	100.0
▪ Later Generations	23.2	44.2	32.6	100.0
<b>Total Samples</b>	<b>32.3</b>	<b>39.9</b>	<b>27.8</b>	<b>100.0</b>

**Pearson Chi-Square = 7.146, Degree of freedom = 2, p-value = 0.028**

Similarly, about two thirds of the owner-managers of family business are concerned or having nightmares on the issue of business getting into trouble. Only one third of them seem to be able to sleep easily on this issue. When compared between founders and later generations, it appears that a significantly higher percentage of later generations are more worried about this issue (details in Table 12).

**Table 12**

<b>All my wealth is in the business, what happens if it gets into trouble?</b>				
	Sleep Easily	Concerned	Nightmares	Total
▪ Founders	38.8	37.9	23.3	100.0
▪ Later Generations	29.2	27.1	43.7	100.0
<b>Total Samples</b>	<b>34.2</b>	<b>32.7</b>	<b>33.2</b>	<b>100.0</b>

**Pearson Chi-Square = 9.392, Degree of freedom = 2, p-value = 0.009**

An easy alternative of dealing with the uncertainty of future revenues and profits is to sell off the business and earn certain profits now. Almost three-quarters of the owner-managers of family business expressed no or little concerns on this issue. Less than 10% are having nightmares on this issue. There are no significant differences between founders and later generations on this issue. Details are shown in Table 13.

**Table 13**

<b>Should I sell the business?</b>				
	Sleep Easily	Concerned	Nightmares	Total
▪ Founders	76.7	19.4	3.9	100.0
▪ Later Generations	71.6	16.8	11.6	100.0
<b>Total Samples</b>	<b>74.2</b>	<b>18.2</b>	<b>7.6</b>	<b>100.0</b>

**Pearson Chi-Square = 4.218, Degree of freedom = 2, p-value = 0.121**

Related to the issue of selling the business, is the worth of it. Generally, if the owner-managers of family business do not concern with selling the business, they probably will not concern much with the worth of it. The numbers in Table 14 indicate that a high percentage of owner-managers of family business do not express concern on this issue. About 12% are having nightmares. There are no significant differences between founders and later generations on this issue.

**Table 14**

<b>How much is the business worth?</b>				
	Sleep Easily	Concerned	Nightmares	Total
▪ Founders	68.0	23.3	8.7	100.0
▪ Later Generations	53.7	31.6	14.7	100.0
<b>Total Samples</b>	<b>61.1</b>	<b>27.3</b>	<b>11.6</b>	<b>100.0</b>

**Pearson Chi-Square = 4.421, Degree of freedom = 2, p-value = 0.110**

#### ▪ **Equity Dilution**

A major consequence of growth strategies via bringing in new partners or selling parts of the business is equity dilution. Diluted ownership results in both less profit sharing and loss of total control over business management. Therefore, worries among owner-managers of family business generally involve financial as well as management issues.

About 60% of owner-managers are concerned or having nightmares on the issue of the greed of outside shareholders. Among them, a significantly higher percentage of later generations, compared with founders, appear to be more concerned on the issue. Details are shown in Table 15.

**Table 15**

<b>If I introduce outside shareholders how greedy will they be?</b>				
	Sleep Easily	Concerned	Nightmares	Total
▪ Founders	47.6	35.0	17.4	100.0
▪ Later Generations	31.3	41.6	27.1	100.0
<b>Total Samples</b>	<b>39.7</b>	<b>38.2</b>	<b>22.1</b>	<b>100.0</b>

**Pearson Chi-Square = 5.996, Degree of freedom = 2, p-value = 0.050**

In terms of diluted control over business matters, half of the owner-managers are worried or having nightmares on this issue. The pattern of worries shown in Table 16 appears to be similar between founders and later generations. The numbers in Table 15 and Table 16 together suggest that owner-managers of family business are more concerned about losing business control more than losing profit shares.

**Table 16**

<b>Would outside shareholders change the way I run the business?</b>				
	Sleep Easily	Concerned	Nightmares	Total
▪ Founders	55.9	28.4	15.7	100.0
▪ Later Generations	51.0	32.3	16.7	100.0
<b>Total Samples</b>	<b>53.5</b>	<b>30.3</b>	<b>16.2</b>	<b>100.0</b>

**Pearson Chi-Square = 0.489, Degree of freedom = 2, p-value = 0.783**

▪ **Personal Conflicts**

Inevitably resulted from the preceding issues of growth, control, wealth, and equity dilution are personal conflicts. Broadly classified, such conflicts can occur with partners inside or outside the family.

The numbers of owner-managers of family business appear to be equally distributed among 3 categories of nightmares-sleep easily continuum. However, a closer look at the Table 17 suggests that a significantly higher percentage of later generations, compared with founders, are concerned or having nightmares on this issues of conflicts with business partners.

**Table 17**

<b>What happens if my business partner and I have a serious disagreement?</b>				
	Sleep Easily	Concerned	Nightmares	Total
▪ Founders	45.0	27.0	28.0	100.0
▪ Later Generations	26.3	35.8	37.9	100.0
<b>Total Samples</b>	<b>35.9</b>	<b>31.3</b>	<b>32.8</b>	<b>100.0</b>

**Pearson Chi-Square = 7.394, Degree of freedom = 2, p-value = 0.025**

Almost 60% of owner-managers of family business express no concerns about the conflicts between their spouse. The numbers in Table 18 suggest that there are no significant differences between founders and later generations.

**Table 18**

<b>What happens if my spouse and I divorce?</b>				
	Sleep Easily	Concerned	Nightmares	Total
▪ Founders	64.0	18.0	18.0	100.0
▪ Later Generations	52.2	22.8	25.0	100.0
<b>Total Samples</b>	<b>58.3</b>	<b>20.3</b>	<b>21.4</b>	<b>100.0</b>

**Pearson Chi-Square = 2.798, Degree of freedom = 2, p-value = 0.247**

## **THE ROLE OF THE FAMILY**

This section assesses owner-managers' expectation of and attitude toward participation of family members in family business. Such expectation and attitude plays a major role in shaping the future of family business in both short-term and long-term. It is also interesting to find out whether there is a significant shift in belief and attitude on the role of the family in business from the founder to later generations. PRIMA research has identified six key areas of the role of the family namely, management succession - the children, management succession - the family and the business, management succession - family joining and leaving the business, preserving and distributing wealth, family remuneration, and advice.

### **▪ Management Succession - The Children**

Typically, owner-managers of family business expect their children to take on the responsibility of the business after them. Therefore, it is important to understand their expectation and preparation planed for the children.

About one third of owner-managers of family business agree that children should be introduced to the business at an early age while about 40% disagree. In short, a good percentage of owner-managers do not want their children to hurry and join the business. The patterns of responses are similar between those of founders and later generations (see Table 19 for details).

**Table 19**

<b>Children should be introduced to the business at an early age?</b>				
	Agree	Neutral	Disagree	Total
▪ Founders	32.4	24.5	43.1	100.0
▪ Later Generations	33.3	27.1	39.6	100.0
<b>Total Samples</b>	<b>32.8</b>	<b>25.8</b>	<b>41.4</b>	<b>100.0</b>

**Pearson Chi-Square = 0.292, Degree of freedom = 2, p-value = 0.864**

About 40% of owner-managers of family business believe that children should be educated and trained in the areas where the business is needed while about one fourth disagree. The patterns of responses are similar between those of founders and later generations. Details are shown in Table 20.

**Table 20**

<b>Children's education should be geared towards the business needs?</b>				
	Agree	Neutral	Disagree	Total
▪ Founders	44.1	34.3	21.6	100.0
▪ Later Generations	34.4	38.5	27.1	100.0
<b>Total Samples</b>	<b>39.4</b>	<b>36.4</b>	<b>24.2</b>	<b>100.0</b>

**Pearson Chi-Square = 2.055, Degree of freedom = 2, p-value = 0.358**

A majority of owner-managers of family business expect their children to be interested in the products and markets of the business. Again, there seems to be agreement between founders and later generations in terms of their responses to this issue. Details are shown in Table 21.

**Table 21**

<b>It is important that the children are interested in the products and markets?</b>				
	Agree	Neutral	Disagree	Total
▪ Founders	71.6	24.5	3.9	100.0
▪ Later Generations	59.4	32.3	8.3	100.0
<b>Total Samples</b>	<b>65.6</b>	<b>28.3</b>	<b>6.1</b>	<b>100.0</b>

**Pearson Chi-Square = 3.767, Degree of freedom = 2, p-value = 0.152**

It is interesting to see that eighty percent of owner-managers of family business expect their children who join the business to start from the bottom and work their way up. This finding suggest that they believe that such a method would help prepare their children well for the task of management afterwards. The patterns of responses are similar between those of founders and later generations (see Table 22).

**Table 22**

<b>Children who join the business should start at the bottom</b>				
	Agree	Neutral	Disagree	Total
▪ Founders	82.7	12.5	4.8	100.0
▪ Later Generations	77.1	14.6	8.3	100.0
<b>Total Samples</b>	<b>80.0</b>	<b>13.5</b>	<b>6.5</b>	<b>100.0</b>

**Pearson Chi-Square = 1.311, Degree of freedom = 2, p-value = 0.519**

#### ▪ **Management Succession - The Family and the Business**

Various aspects of the business, especially those concerning the future of the business, rest upon the expectation and belief of owner-mangers of family business on the role of family members in the business. For examples, who should be management successor? How much and how many family members should be getting involved with the family business? Would conflicts among family members help or hurt the business?

It is interesting to see that only 50% of owner-managers of family business believe that management successors should come from the family. This finding suggests that owners of family business are probably more receptive to professional management. As shown in Table 23, the patterns of responses are similar between those of founders and later generations.

**Table 23**

<b>Management successors should be chosen from the family</b>				
	Agree	Neutral	Disagree	Total
▪ Founders	48.0	26.5	25.5	100.0
▪ Later Generations	50.5	28.4	21.1	100.0
<b>Total Samples</b>	<b>49.2</b>	<b>27.4</b>	<b>23.4</b>	<b>100.0</b>

**Pearson Chi-Square = 0.545, Degree of freedom = 2, p-value = 0.762**

A majority of owner-managers of family business do not believe that there can be only one management successor. This finding suggests that owner-managers of family business probably would like to keep an open option of management selection. As shown in Table 24, the patterns of responses are similar between those of founders and later generations.

**Table 24**

<b>There can only be one management successor</b>				
	Agree	Neutral	Disagree	Total
▪ Founders	10.5	26.0	63.5	100.0
▪ Later Generations	14.6	21.9	63.5	100.0
<b>Total Samples</b>	<b>12.5</b>	<b>24.0</b>	<b>63.5</b>	<b>100.0</b>

**Pearson Chi-Square = 0.988, Degree of freedom = 2, p-value = 0.610**

A surprised finding is that only 44% of owner-mangers believe that the business would be stronger by the participation of family members. Probably, closeness among siblings or other family members could easily lead to non-sense arguments and conflicts and, thus, is not good for the business. The patterns of response, again, are similar between those of founders and later generations. Details are shown in Table 25.

**Table 25**

<b>The business is stronger with family members involved</b>				
	Agree	Neutral	Disagree	Total
▪ Founders	43.3	39.4	17.3	100.0
▪ Later Generations	45.3	33.6	21.1	100.0
<b>Total Samples</b>	<b>44.2</b>	<b>36.7</b>	<b>19.1</b>	<b>100.0</b>

**Pearson Chi-Square = 0.855, Degree of freedom = 2, p-value = 0.652**

Related to the involvement of family members in family business, over 50% of the owner-managers of family business disagree that sibling rivalry is good for business. This finding suggest that owner-managers of family business are probably try their best to avoid conflicts among family members. A possible reason is that Thais value family relationships over business out comes. And this probably explains why the involvement of family members in the business is not preferred. The patterns of responses are uniformed between those of founders and later generations. Details are shown in Table 26.

**Table 26**

<b>Sibling rivalry in the business is good for the business</b>				
	Agree	Neutral	Disagree	Total
▪ Founders	16.3	27.9	55.8	100.0
▪ Later Generations	17.9	29.5	52.6	100.0
<b>Total Samples</b>	<b>17.1</b>	<b>28.6</b>	<b>54.3</b>	<b>100.0</b>

**Pearson Chi-Square = 0.204, Degree of freedom = 2, p-value = 0.903**

As shown in Table 27, most founders and later generations of owner-managers of family business agree that family and business affairs should be kept separate. This finding suggests the belief of owner-mangers of family business in professional management. However, this research does not have evidence to support whether or not such belief is put to practice in the business.

**Table 27**

<b>Family and business affairs should be kept separate</b>				
	Agree	Neutral	Disagree	Total
▪ Founders	76.9	14.1	9.0	100.0
▪ Later Generations	82.9	15.7	1.4	100.0
<b>Total Samples</b>	<b>79.7</b>	<b>14.9</b>	<b>5.4</b>	<b>100.0</b>

**Pearson Chi-Square = 4.113, Degree of freedom = 2, p-value = 0.128**

▪ **Management Succession - Family Members Joining and Leaving the Business**

Participation of family members in family business can be on voluntary or non-voluntary basis. The question is who decides? There are always questions about who should or should not join the business, what the roles of predecessors are, when they should retire, and so on. Decisions on these issues screen future management of the business as well as determine the direction of the business.

Over 60% of owner-managers of family business believe that there should be criteria for family members' participation in business. Such criteria not only help owner-managers of family business for management selection, but also give them clear explanations to the employees regarding their decisions. As shown in Table 28, the patterns of responses are similar between those of founders and later generations.

**Table 28**

<b>There should be criteria to decide how family members should join and leave</b>				
	Agree	Neutral	Disagree	Total
▪ Founders	65.0	25.0	10.0	100.0
▪ Later Generations	58.9	33.7	7.4	100.0
<b>Total Samples</b>	<b>62.1</b>	<b>29.2</b>	<b>8.7</b>	<b>100.0</b>

**Pearson Chi-Square = 1.932, Degree of freedom = 2, p-value = 0.381**

About 55% of owner-managers of family business agree that parents should retire when the children are ready to take over. The patterns of responses are, again, similar between those of founders and later generations (see Table 29 for details).

**Table 29**

<b>Parents should retire when the children are ready to take over</b>				
	Agree	Neutral	Disagree	Total
▪ Founders	56.7	23.1	20.2	100.0
▪ Later Generations	54.2	28.1	17.7	100.0
<b>Total Samples</b>	<b>55.5</b>	<b>25.5</b>	<b>19.0</b>	<b>100.0</b>

**Pearson Chi-Square = 0.720, Degree of freedom = 2, p-value = 0.698**

About 40% of owner-managers of family business believe that founder or older generations should have a formal role in the business. However, the patterns of responses are significantly different between those of founders and later generations. Not surprisingly, a higher percentage of founders, compared with later generations, believe in the formal role of older generation in the business. This is the first of the only two issues that are viewed differently between founders and later generations. Details are shown in Table 30.

**Table 30**

<b>The founder/older generation should always have a formal role in the business</b>				
	Agree	Neutral	Disagree	Total
▪ Founders	45.6	25.2	29.2	100.0
▪ Later Generations	38.5	41.7	19.8	100.0
<b>Total Samples</b>	<b>42.2</b>	<b>33.2</b>	<b>24.6</b>	<b>100.0</b>

**Pearson Chi-Square = 6.391, Degree of freedom = 2, p-value = 0.041**

▪ **Wealth Preservation and Distribution**

The issue of preserving and distributing wealth deals with how ownership should be allocated among family members. Generally, expectation of family members' participation in family business is accompanied by the beliefs of how they should be rewarded for their performance as well as for being *family*. Therefore, owner-managers of family business have to decide on not only *how* but also *how much* of the ownership should be distributed.

Over 60% of owner-managers of family business believe that children should receive part of ownership when joining the business. The shares would motivate them as well as make them feel more deeply belong to the business. The patterns of responses to this issue are slightly different between those of founders and later generations. In short, a higher percentage of founders seem to disagree to this type of ownership distribution. Details are shown in Table 31.

**Table 31**

<b>Children should receive some shares when they join the business</b>				
	Agree	Neutral	Disagree	Total
▪ Founders	60.8	20.6	18.6	100.0
▪ Later Generations	64.6	27.1	8.3	100.0
<b>Total Samples</b>	<b>62.6</b>	<b>23.8</b>	<b>13.6</b>	<b>100.0</b>

**Pearson Chi-Square = 4.836, Degree of freedom = 2, p-value = 0.089**

Another interest finding is that over half of the owner-managers of family business believe that children who do not join the business should still be entitled to part of business ownership. The patterns of responses are slightly different between those of founders and later generations, however. As shown in Table 32, a higher percentage of founders seem to disagree on this ownership distribution issue.

**Table 32**

<b>Children who do not join the business should not receive shares</b>				
	Agree	Neutral	Disagree	Total
▪ Founders	15.4	24.0	60.6	100.0
▪ Later Generations	20.8	35.4	43.8	100.0
<b>Total Samples</b>	<b>18.0</b>	<b>29.5</b>	<b>52.5</b>	<b>100.0</b>

**Pearson Chi-Square = 5.706, Degree of freedom = 2, p-value = 0.058**

Over 60% of owner-managers of family business disagree that children should only receive shares on the death of previous generations. As shown in Table 33, the patterns of responses are similar between those of founders and later generations. This finding is consistent with the two preceding tables. Children should receive shares not only as a reward for their participation in the business but also as being family members. And they probably need not wait until their previous generations are passed away.

**Table 33**

<b>Children should only receive shares on the death of the previous generation</b>				
	Agree	Neutral	Disagree	Total
▪ Founders	12.5	21.2	66.3	100.0
▪ Later Generations	20.4	20.4	59.2	100.0
<b>Total Samples</b>	<b>16.3</b>	<b>20.8</b>	<b>62.9</b>	<b>100.0</b>

**Pearson Chi-Square = 2.318, Degree of freedom = 2, p-value = 0.314**

Table 34 shows relatively equal splits of responses to the issue of whether or not children should receive shares in equal parts. One third agrees while another one third disagrees. There seems to be no obvious patterns of agreement on this issue. The patterns are, again, similar between those of founders and later generations.

**Table 34**

<b>Children should receive shares in the business in equal parts</b>				
	Agree	Neutral	Disagree	Total
▪ Founders	32.4	28.4	39.2	100.0
▪ Later Generations	41.1	30.5	28.4	100.0
<b>Total Samples</b>	<b>36.5</b>	<b>29.5</b>	<b>34.0</b>	<b>100.0</b>

**Pearson Chi-Square = 2.777, Degree of freedom = 2, p-value = 0.249**

Finding shown in Table 35 is another evidence that owner-managers of family business are more open up to participation from outside, not only for management but also for ownership. Almost 50% appear to be willing to distribute part of ownership to the parties outside the family circle. The patterns of responses are similar between those of founders and later generations.

**Table 35**

<b>Shares should only be transferred to members of the family</b>				
	Agree	Neutral	Disagree	Total
▪ Founders	22.1	25.0	52.9	100.0
▪ Later Generations	32.6	26.3	41.1	100.0
<b>Total Samples</b>	<b>27.2</b>	<b>25.6</b>	<b>47.2</b>	<b>100.0</b>

**Pearson Chi-Square = 3.528, Degree of freedom = 2, p-value = 0.171**

#### ▪ **Family Remuneration**

Family remuneration deals with the purpose of family business. Is it supposed to be business for the family or family for the business? If the business is for the family, then family members should be entitled to certain privileges above employees and the business should probably take care of all the family members. On the other hand, if family business is supposed to be *business*, then the merit system is probably better for the business. What do Thai owner-managers of family business believe?

About 45% of owner-managers of family business believe that family members deserve special privileges than the rest of the employees. However, one third, who probably subscribes to the merit systems, appears to disagree. The patterns of responses are similar between those of founders and later generations, as shown in Table 36.

**Table 36**

<b>Family members are entitled to differential pay arrangements than the rest of the employees</b>				
	Agree	Neutral	Disagree	Total
▪ Founders	40.7	20.8	38.5	100.0
▪ Later Generations	51.0	20.7	28.3	100.0
<b>Total Samples</b>	<b>45.7</b>	<b>20.7</b>	<b>33.6</b>	<b>100.0</b>

**Pearson Chi-Square = 2.607, Degree of freedom = 2, p-value = 0.272**

This is the second and last issue that is viewed differently by founders and later generations. A significantly higher percentage of later generations believe that the business should provide benefits for all members of the family while a majority of the founders disagree on this issue. Details are shown in Table 37.

**Table 37**

<b>The business should provide pension benefits for all members of the family</b>				
	Agree	Neutral	Disagree	Total
▪ Founders	33.7	25.0	41.3	100.0
▪ Later Generations	50.0	28.1	21.9	100.0
<b>Total Samples</b>	<b>41.5</b>	<b>26.5</b>	<b>32.0</b>	<b>100.0</b>

**Pearson Chi-Square = 9.312, Degree of freedom = 2, p-value = 0.010**

▪ **Advice**

About one third of owner-managers of family business do not believe that professional advisors would understand the problems or issues unique to family business while almost one fourth seems to have an opposite view. Notably, over 40% are indifferent to this issue. Again, this finding also serves as an indication of a reception to advice or assistance from professional management outside the family.

**Table 38**

<b>Professional advisers understand the unique issue facing the family business</b>				
	Agree	Neutral	Disagree	Total
▪ Founders	24.0	41.3	34.7	100.0
▪ Later Generations	24.3	43.2	32.5	100.0
<b>Total Samples</b>	<b>24.2</b>	<b>42.3</b>	<b>33.5</b>	<b>100.0</b>

**Pearson Chi-Square = 0.089, Degree of freedom = 2, p-value = 0.956**

## CONCLUSIONS

PRIMA Thailand research reveals several interesting findings related to the important issues facing family business. Key findings can be summarized as follows:

- Later generations tend to join family business straight from school with little or no working experience.
  - A higher percentage of founders expect their children to join the business.
  - Most nightmares of owner-managers of family business are in the areas of growth and control, wealth preservation, as well as equity dilution.
  - Both founders and later generations are open up for partnership from outside the family, yet seem not to worry about selling off the business.
  - A higher percentage of later generations, compared with founders, appear to be worried or having nightmares on more issues encountered.
  - With few exceptions, founders and later generations are surprisingly alike in terms of their expectation of and attitude toward the role of family members in the business.
  - Owner-managers of family business appear to be more receptive to participation from parties outside the family, both for management and ownership.
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