From Generation to Generation of Thai Family Business: Key Factors Affecting Management Adaptation

จากรุ่นสู่รุ่นของธุรกิจครอบครัวในประเทศไทย: ปัจจัยที่ส่งผลต่อการปรับตัวในด้านการจัดการ

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Abstract

This paper aims to examine the key factors influencing management adaptation toward business performance in Thai family business firms. The paper also seeks to demonstrate the impact level of three motivational factors including vision, leadership, and relationship, on management adaptation, and to explore the relationship between management adaptation and performance of Thai family business. Structural equation modeling was applied to analyze a conceptual model with survey data collected from 305 family business owners in Thailand. The results indicated that strong leadership and relationship have significant positive impacts, while vision is of negative influences on management adaptation. Results also indicated a positive relationship between management adaptation and business performance.

Keywords: *Family Business, Management, Adaptation, Performance, Motivation*

บทคัดย่อ

งานวิจัยนี้ศึกษาปัจจัยที่มีผลต่อการปรับเปลี่ยนระบบการบริหารจัดการซึ่งจะนำไปสู่สมรรถภาพของธุรกิจครอบครัวในประเทศไทย และแสดงระดับผลกระทบของปัจจัยจูงใจอันประกอบไปด้วย วิสัยทัศน์ขององค์กร ผู้นำองค์กร และความสัมพันธ์ในองค์กรที่มีต่อการปรับตัวในด้านการจัดการ ตลอดจนสำรวจความสัมพันธ์ระหว่างการปรับตัวในด้านการจัดการและผลการดำเนินงานของธุรกิจครอบครัวในประเทศไทย ผู้วิจัยเก็บข้อมูล

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โดยใช้แบบสอบถามจากเจ้าของธุรกิจครอบครัวในประเทศไทย จำนวน 305 คน และวิเคราะห์ข้อมูลโดยใช้โมเดลสมการโครงสร้าง ผลการวิเคราะห์ระบุว่า ผู้นำองค์กรและความสัมพันธ์ในองค์กรส่งผลบวกทางตรงต่อการปรับตัวในด้านการจัดการ และวิสัยทัศน์ขององค์กรส่งผลกระทบทางลบต่อการปรับตัวในด้านการจัดการ ผลการวิจัยยังระบุว่า การปรับตัวในด้านการจัดการส่งผลทางบวกต่อการดำเนินงานของธุรกิจครอบครัวในประเทศไทย

คำสำคัญ: *ธุรกิจครอบครัว ระบบการบริหารจัดการ การปรับเปลี่ยน ผลการดำเนินงาน แรงจูงใจ*

Introduction

Family business is a common form of business enterprise that has strong historical presence worldwide (Guidice, Mero, & Greene, 2013). For example, most businesses in the USA, Australia, Britain, China, Japan and India are family-owned (Hiebl, Feldbauer-Durstmüller, & Duller 2013). Several researchers claim that the vigorous East Asian economies are built on family business enterprises (Koh, Tan, & Ejercito, 2013). In Asia, Thailand is an industrialized nation in which economic progress is strongly influenced by family-owned businesses (Chaimahawong & Sakulsriprasert, 2012) that had early trading stages in commerce and textiles before escalating into other business activities, keeping their original family's regulated-and-managed features (Miralles-Marcelo, Miralles-Quiros, & Lisboa, 2014).

Given that family business usually has an unceremonious style of management (Camblanne, 2013) and resists adapting to the outside environments (Landry, Fortin, & Callimaci, 2013), it is explicit that unless definite steps in rectification are taken, it will possibly fail to prosper. As many family businesses lag behindhand their non-family parallels in performing proactive management approaches and pursuing growth and export goals (Kotey, 2005), their numbers generally decrease from the first generation to the second and rarely reach the third (Filser, Kraus, & Mark, 2013). In this situation, it is imperative to explore the factors that have enabled Thai family businesses to acclimate their management approaches to be analogous to non-family business and subsist into the second and third generation of family possession. This study aims to propose steps to improve Thai family business so that the next generation can continue to enjoy its benefits through an investigation of the motivational factors that have enabled family business incumbents to adapt their business management. The effects of management adaptation on business performance will also be examined.

Literature review

A family business can be explained as an organization with the purpose of pursuing the visualization of a business held by members of the same family (Camblanne, 2013). Conceptually, management and proprietorship of family business are determined by one or more members of a family seeking to continue or accrue the level of family involvement (Goel, Mazzola, Phan, Pieper, & Zachary, 2012). Family members are also employees who influence organizational decision-making (Kotey, 2005), and expect to handover the family firm to the next generation (Swartz, Elliott, & Herbane, 2003). As Caprio, Croci, and Del Giudice (2011) summarized, most definitions of family business have included philosophies of family ownership, family management or control, intention to transfer the family firm, and in particular, family involvement.

Comparing between family and non-family businesses, Gedajlovic, Carney, Chrisman, and Kellermanns (2012) found that because of their finite organizational competence, family businesses often lag behindhand their non-family parallels in performing proactive management approaches such as effective strategic management planning. Owners of family businesses typically pursue traditional management styles (McConaughy, Matthews, & Fialko, 2001) and respond slowly to environmental changes (Landry et al., 2013). Kidwell, Hoy, and Ibarreche (2012) described that their management practices are unceremonious, and documentations somewhat disorganized. As a result, written procedures and policies are scarcely and depended on the varying visions and notions of owners (Camblanne, 2013). Furthermore, their management inclines to be centralized, with a person or a small group of people controlling a furtive decision-making process, and that inhibits disagreement and assists in maintaining govern (Claver, Rienda, & Quer, 2008).

As family business owners oversee all operations and management activities, the family system and authoritarian style tend to replace the usual formal internal control systems (Anderson & Reeb, 2004). For example, Lubatkin, Ling, and Schulze (2007) perceived that family firms seldom use proper performance appraisal techniques and prefer a centralized appraisal practice which rewards individuals for their relationship with the family rather than their benefaction to the business (Dyer, 2006). Moreover, when a business owner has special personal relationships with particular member/s, his/her managerial decisions are affected and the rule of impartiality is violated. This in turn negatively reflects in the other members' evaluations of procedural fairness (Chen, Steiner, & White, 2001). In other family businesses, all members receive identical treatment even when their abilities are not equivalent (Peterson & Distelberg, 2011) and as they are simply expected to work for the family, working for personal needs is not an option (Salloum, Bouri, & Samara, 2013). Clearly, these ad hoc behaviors will have a strong impact on employment policies and managerial behaviors in family businesses.

Similar to family businesses in other countries, the majority of Thai family firms seek to continue the conservative business structure in which they can superintend both proprietorship and supervision (Suehiro & Wailerdsak, 2004). They rarely recruit non-family members, and practically all senior management positions are occupied by founders and persons in the family, for instance, the initiator's favorite son (Kilenthong & Rueanthip, 2018). Since the top management seats are retained for founders or persons in the family, the management style is autocratic, with the chairman or president being the definitive person who makes all decisions and business strategies. Consequently, both management practices and organization can stagnate (Suehiro & Wailerdsak, 2004), with most Thai family businesses barely surviving the introduction of new corporate governance policies and a global standard accounting system.

A number of explorations have highlighted that the failure rate of family businesses is very high. For instance, Filser et al. (2013) found that only thirty percent of family enterprises manage to continue into the second generation of family possession, ten to fifteen percent survive into the third generation, and three percent to the fourth. These findings are in agreement with King and Peng (2013) who found that the future of most family businesses depends on the third generation.

Duarte Alonso, Kok, and O'Shea (2018) found that family businesses do not adapt well to changes in market and social trends, preferring to adopt unceremonious styles of management that are poor-managed, messy, and unfinished, with any changes made by younger generations inferred to be lacking of respect for elders and not considering the family as a whole (McPherson, 2010). Furthermore, although adaptations can change future anticipation of the family business, if those adaptations accrue the possibility of firm failure, the owner may not hand it over to a prospective heir (Chaimahawong & Sakulsriprasert, 2012).

Adaptation is inherent in modern organizations and its processes are not only noteworthy to business achievement and existence, but also important for organizational improvement (Letens, Van Aken, Farris, Heene, & Leysen, 2008). Johnson-Cramer, Cross, and Yan (2003) state that adaptations or changes can assist business performance and increase the probabilities of organizational survival. However, adaptation cannot be successfully carried on without the acceptance of organization's members (Alas, 2007), even when it is necessary (Mdletye, Coetzee, & Ukpere, 2014). Thus adaptation cannot occur unless the organizational members are motivated and ready for it (Porter, Angle, & Allen, 2003).

Motivation has an influence on personal behavioral action (Vandercammen, Hofmans, & Theuns, 2014) and leads to explicit behavioral results including change and adaptation (Perry, Mesch, & Paarlberg, 2006). Hence, motivation approaches are significant for capacitating any organizational change management (Locke & Latham, 2004) that possibly will confront the occurrence of resistance to change. Hao and Yazdanifard (2015) suggests that effective adaptation materializes when organizational members are motivated to admit the change. Therefore, if the motivational factors are accepted, adaptation can be successful implemented.

In response to the above considerations of key factors affecting management in family business, the purpose of this paper is to ripen a model for the adaptation of Thai family business management toward firm performance.

Theory and hypotheses

The factors required for adaptation in the model of this study have been pinpointed on the basis of vision, leadership, and relationship.

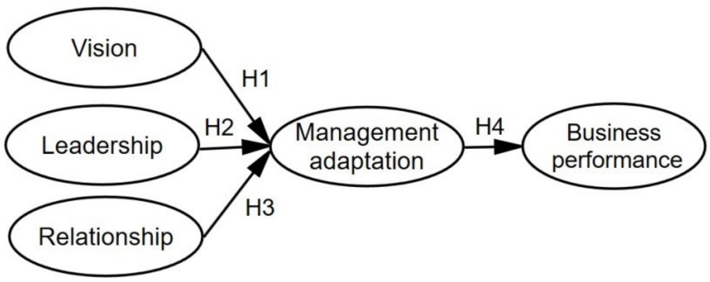


Figure 1 Conceptual framework

Vision

Vision or the sense that change is needed is one of the vital motivators to provide change readiness and support change (Stouten, Rousseau, & Cremer, 2018). The first step of inducing members of a firm of this need ordinarily starts with crafting an irresistible vision (Fernandez & Rainey, 2006) that enables a reach of the imagination of direction intended at expediting organizational success (Foster & Akdere, 2007). In agreement, Nikezić, Purić, and Purić (2012) declare that vision is the inspiration for fundamental transformational change or adaptation.

Vision is the catalyst for incentives for change (Millar, Hind, & Magala, 2012) and the most influential approach that a firm can apply to attain such change is for leaders to notify the vision to widen advocate for their plans (Luthra & Dahiya, 2015). Consequently, one of the strongest features in efficacious various change is the ascription of importance to vision and compelling communication (McAdam, 2003).

Based on the preceding discussion of how vision influences change, and in fulfillment of the research aims above, the following hypothesis is presented:

H1: Vision has been a positive influential factor for Thai family business owners to adapt their business management.

Leadership

Even though researchers have presented that vision is a crucial factor in enabling change, some researchers have identified that without effective leadership, such change may possibly fail (e.g., Canning & Hanmer-Lloyd, 2002; Landrum, Howell, & Paris, 2000; Marzec, 2007). Leaders can expedite the step of change by setting new pathways for organizational members to follow in building stimuli for change (Tucker & Russell, 2004), although when the preferred future state of the firm is unclear (Chapman, 2002). Likewise, as attitudes are imperative elements of behavior (Costa, De Matos, & Cunha, 2003), effective leaders have the capability to change their followers' attitudes to work more advantageously for the firm (Costa, & De Matos, 2002). Atkinson and Mackenzie (2015) emphasize that these leaders can efficiently change the status quo by showing proper behaviors at appropriate stages in the change procedure, and with their support and obligation to change, play a critical role in accomplishment (Yukl, 2002). In this sense, leadership is a mutually emphasizing element of the change. Especially in Thailand, all management decisions and business strategies are made and controlled by the family business proprietors (Chaimahawong & Sakulsriprasert, 2012; Suehiro & Wailerdsak, 2004) who have full power to operate and shape the way of business management.

Based on the above discussion of how leadership has influenced change, the following hypothesis is presented:

H2: Leadership has been a positive influential factor for Thai family business owners to adapt their business management.

Relationship

Personal relationships are a supportive technique to achieve organizational goals (Neergard, Sahaw, & Carter, 2005). This is because organizational members with high needs for relationship are possible to be involved by work atmospheres in which the primary attention is on evolving and sustaining good relationships with other members (Venkataramani, Labianca, & Grosser, 2013). Therefore, it is presumed that, if one member has a positive attitude towards their relationships with other members in the firm, their behavioral intentions to proceed in accordance with the group's decision will be positively influenced (Taormina & Lao, 2007). This is even more so in the case of this study, as Thai culture is collective, placing emphasis on the importunities and interests of the group rather than on personal interests (Hofstede, Hofstede, & Minkov, 2010). Hence, Thai family business owners are concerned about their affairs with others in the firm (Hofstede et al., 2010), and possibly will strongly repudiate a change that creates conflict with other members in the firm.

Based on the preceding discussion of how good relationships have influenced change in organizations, the following hypothesis is presented:

H3: Relationship has been a positive influential factor for Thai family business proprietors to adapt their business management.

Adaptation and business performance

Adaptation is a finite notion of change particularly used within evolutionary change models, and adverting to variations and modifications in firms or their components in order to enable changes in the external environment (Smit & Wandel, 2006). Several researchers have asserted that management adaptations ameliorate business performance, as they allow an organization to accumulate change experience (e.g., Carter, Armenakis, Feild, & Mossholder, 2013; Klarner & Raisch, 2013; Torres, Sidorova, & Jones, 2018). Moreover, management adaptation can permit organizations to improve work routines over time (Beck, Bruderl, & Woywode, 2008), thus allowing businesses to respond more rapidly to environmental changes. In other words, management adaptation enables firms to align themselves with steadily changing contexts, and hence achieve an alignment that positively influences organizational performance.

However, it remains uncertain as to how organizations can adopt and manage an adaptation that possibly leads to better organizational performance (Farjoun, 2010). As a result, the paper seeks to investigate the affinity between management adaptation and firm performance.

Based on the preceding discussion of how management adaptation may influence business performance above, the following hypothesis is presented:

H4: Management adaptation is a positive influential factor for Thai family business performance.

Research methodology

In order to examine the relations between motivational factors, adaptation of family management practices, and firm performance, a quantitative method has been used. The organizations used for data collection are 305 family businesses in the second generation of family possession or beyond that have had some changes in their management practices in last five years - as registered on the Department of Business Development, Ministry of Commerce Thailand (Department of Business Development, 2018).

Quantitative data compiled from the disseminated questionnaires were analyzed using a statistical program and the Analysis of Moment Structures (AMOS) software. The questionnaire consisted of 24 questions. It was divided into 5 sections, which include: vision (5 questions), leadership (5 questions), relationship (5 questions), management adaptation (4 questions), and business performance (5 questions). The 5-point Likert scale was employed with intervals ranging from 1 (strongly disagree) to 5 (strongly agree). Confirmatory factor analysis was proceeded in the first stage of Structural Equation Modeling (SEM), and a composite factor model was employed to deplete both intricacy and the number of returns required for a reliable model. Structural equitation modeling was applied to analyze statistical models of relationships among the latent variables and manifest variables.

In order to reach the level of effect of each factor in the management adaptation and measure firm performance, 1,974 questionnaires were mailed to family business proprietors in Thailand and 675 replies were received. However, 370 replies were screened out as they either indicated being the first family business generation or having non-adaptation in their firms. Hence, there were only 305 usable replies for the study. Kline (2011) states that the minimum number of sample size for SEM is 200 cases or 5-10 cases per a parameter. Additionally, Hair, Babin, Anderson, and Black (2018) assert that sample size should be greater than 100, or 10-20 samples per one parameter. Therefore, 305 samples should be acceptable for structural equation modelling.

Cronbach's alpha was used to conduct a reliability analysis to test for the internal consistency of the constructs, and each of which was also tested for convergent validity. A discriminant analysis was also performed to show that all constructs had sufficient evidence to conclude that each selected criteria was valid and could be used for the Structural Equation Model (SEM). The Cronbach's alpha and convergent validity results are shown in Table 1.

Table 1 Results of construct reliability analysis and normality tests

Variables	Factor loading	Cronbach's alpha	Univariate skewness	Multivariate kurtosis	Multivariate Critical ratio (c.r.)
Vision	0.68-0.74	0.762	-0.243--0.412	15.114	15.775
Leadership	0.62-0.81	0.791	-0.098--0.405	17.376	18.135
Relationship	0.58-0.84	0.793	-0.214--0.412	10.266	12.939
Management adaptation	0.71-0.76	0.788	0.092--0.443	9.549	12.035
Business performance	0.54-0.82	0.715	-0.129--0.707	18.159	16.183

Data for normality prior to analysis, and the normality of items of vision, leadership, relationship, adaptation and performance were examined using univariate skewness and multivariate kurtosis, revealing that all items had normal distribution.

After all the congeneric one-factor models had been tested, the initial proposed model was examined in AMOS program. A composite factor approach has been utilized to deplete intricacy of the model and minimize the number of returns required for a reliable model (Hair et al., 2018). This technique is not dominated by the different number of variables in each composite; the technique used in this study is based on the following formula adopted from Turner (2007):

$$\text{Composite} = \frac{\Sigma \text{ fi xi}}{\Sigma \text{ fi}}$$

Where **xi** is the item score and **fi** is the factor loading.

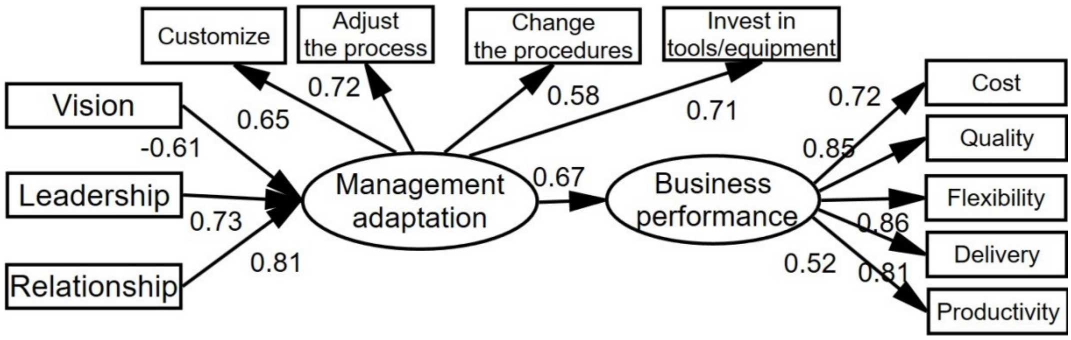
Hair et al. (2018) stated that measures from each type need to be reported to provide the best overall picture of model fit. To measure the goodness of fit in this study, measures and guidelines adopted from several researches are presented in Table 2.

Table 2 Goodness of fit

Items	Criteria
Root Mean Square Error of Approximation(RMSEA)	<0.08, preferably under 0.05 (Browne & Mels, 1990)
Tucker-Lewis Index (TLI)	The closer to 1.0, the better. Recommended is higher than 0.90 (Bentler, 1992)
Comparative Fit Index (CFI)	The closer to 1.0, the better. Recommended is higher than 0.90. Values close to 1.0 indicate perfect fit (Hu & Bentler, 1999)
Parsimonious fit measures (model parsimony) Normed Chi-square (CMIN/df)	Recommended level: lower limit 1.0, upper limit 3.0 or as high as 5.0 (1.0 <χ/df < 5.0) (Hair et al., 2018)
Normed Fit Index (NFI)	The closer to 1.0, the better. Recommended is higher than 0.90 (Kline, 2011)
p-value	p-value greater than 0.05 (Fatima & Razzaque, 2014)

Structural equation modeling and results

Fit statistics for the structural model are delineated in Figure 2, indicating that the acceptable fit level of the SEM model has passed all the criteria of the goodness of fit test.



Root Mean Square Error of Approximation (RMSEA) = 0.032, Tucker-Lewis Index (TLI) = 0.928,
Comparative Fit Index (CFI) = 0.950, Parsimonious fit measures (model parsimony)
Normed Chi-square (CMIN/df) = 1.316, Normed Fit Index (NFI) = 0.830, p-value = 0.074

Figure 2 Structural model

Having verified the measurement model regarding the constructs of family business management adaptation and also tested for the overall fit of the Structural Equation Model, the following process was to use the path coefficients to test the research hypotheses. Path coefficients and their significant levels are shown in Figure 2.

The research framework shown in Figure 1 has four hypothesized relationships amongst the constructs. In terms of vision that negatively influence management adaptation, the SEM results reject H1 with the path coefficients of -0.61, at $p < 0.01$ significant level. However, the SEM results support H2 and H3 as the leadership and good relationship inserted impacts on management adaptation with the path coefficients of 0.73 and 0.81 serially, at $p<0.01$ significant level.

The observed variables of management adaptation are statistically significant between 0.58-0.72. Likewise, the observed variables of business performance are significantly loaded between 0.52-0.86.

In terms of management adaptation's performance consequences, H4 is supported. The path coefficient from management adaptation to family business performance is 0.67, which is significant at $p<0.01$. Management adaptation has a direct and positive influence on family business performance.

The statistical results of hypotheses testing for H1-H4 were summarized in table 3.

Table 3 Path coefficients

	Coefficients	Estimate	SE	C.R.	p
H1: Vision → Management adaptation	-0.61	-0.059	0.93	-0.63	***
H2: Leadership → Management adaptation	0.73	0.060	0.101	0.597	***
H3: Relationship → Management adaptation	0.81	0.072	0.088	0.816	***
H4: Management adaptation → Business performance	0.67	0.746	0.105	7.120	***

*** significant at the 0.01 level

Discussion and conclusion

Previous literature inferred that vision, leadership, and relationship expedite management adaptation and its effects on business performance. Nevertheless, two matters were absent: a comprehensive empirical study of these relationships and their theoretical foundation. This examination filled the gaps by linking the theory of adaptation with large-scale survey data.

Results confirmed the influence of strong leadership and good relationship to management adaptation towards building business performance. Findings also indicated that while strong leadership and good relationship positively and directly influence management adaptation, vision has a negative impact. Vision of family business owners was expected to have positive impacts on management adaptation, but this research failed to find such a positive significant impact. These results are not in line with several studies that demonstrated the direct influence of vision on adaptation (e.g., Luthra, & Dahiya, 2015; Millar, Hind, & Magala, 2012; Nikezić, Purić, & Purić, 2012; Stouten, Rousseau, & Cremer, 2018). Leadership has been a crucial factor that determines a company's further development (Northouse, 2007), especially in Thailand where Thai employees admit a hierarchical command and value a strong leadership (Morakul & Wu, 2001) and where leaders and subordinates realize one another as inherently inequitable.

Personal relationships and harmony between senior and junior family members are of the utter most significance in Thai culture (Rurkkhum & Bartlett, 2012), with trust being of core concern (Lawler & Atmiyanandana, 2003). Hence, interpersonal and family relationship diffuse in business activities, and relationship-oriented behavior is more important than work-oriented behavior in Thai organizations (Amornpipat & Sorod, 2016). In firms, Thai management system indispensably and heavily depends on personal relationships (Lawler & Atmiyanandana, 2003) and prefers steadfast group relationships that sustain surface harmony and avoid conflicts where conceivable. Here, surface harmony means that employees prefer to constantly be smooth, sympathized, delighted, non-assertive, conflict-free, good-mannered, and submissive. They normally consider that being nice makes people to be happy, which develops their long-term commitment (Cooper, 2004).

Findings of the study also indicate that management adaptation directly affects business performance. This forcefully supported the results of various researches in change management studies where management adaptation has been a significantly influential factor in business performance (e.g., Chapman, 2002; Johnson-Cramer et al., 2003; Saebi, Lien, & Foss, 2017).

This study began with the aim of confirming that management adaptation is influenced by motivational factors. By using structural equation modeling to identify the relationships between motivational factors, management adaptation, and family business performance, the findings indicated that strong leadership, and good relationships could create an increased management adaptation that would positively impact on firm performance.

Limitations

Similar to other researches, there are limitations of the study that must be considered. Firstly, this study used a composite factor model method to explicate the model. Thus, some details of exogenous variables may be lost since this technique computed all observed variables to become one variable. Secondly, the study employed quantitative approach using a mail survey. This method provides the fundamental relation between empirical examination, and the mathematical assertion of quantitative relationships (Neuman, 2006). However, the mail survey fails to seize insights regarding exactly how to adapt, in what way, and for what reasons. Thirdly, the hereafter research could study not only vision, leadership, and relationship, but also various motivational factors like rewards, recognition, and challenges. Fourthly, the scales of leadership, relationship, vision, adaptation, and firm performance were developed in the Western setting. Nevertheless, as non-indigenous scales, these scales may not possibly able to clutch their full meaning in the context of Thailand. Finally, while the results of findings showed that leadership, relationship, and vision could motivate Thai family business owners to adapt their management approaches, the results of the study may appear to be contradictory when utilizing the models in other contexts.

Contributions

The finding provides two contributions as follows. Firstly, this study attempts to provide a clear understanding of the relationship between vision, leadership, relationship, management adaptation, and performance of Thai family businesses. It presents to escalate a unique theoretical contribution to prior literature and knowledge of family business management. The measurement of all constructs in the study were established based on interrelated literature review and these scales have been verified with an appropriate level of reliability and validity. Thus, these items scale may be utilized to numerous researches. Secondly, the study has attached to the body of knowledge in literature on family business management by suggesting that family business owners in Thailand adapt their management styles, use strong leadership and good relationships as significant motivational factors to make better firm performance. An intended result of this study is to contribute insights into the factors that influence family business owners to adapt their management approaches so that they can improve their business performance and be assured of the future generational survival of the firm.

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