

**STRATEGICAL AND SUCCESSION MODEL OF FAMILY
BUSINESS**
**Cases study of second generation family business owners
in Thailand**

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**ENTREPRENEURSHIP AND ENTREPRENEURIAL
LEADERSHIP**

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Summary

Family business is the main function of world economics. The main function that separate family business and typical business is the relationship of family member. Even though, there are many researches that involve in the theory of business practice but some researches and practical cases show that family business cannot apply the same strategy as non-family business completely. The main different between entrepreneurial and family company begin when the transition happen. When member of owner joined the company and finally gain control of the company as successor, then one can presume that that company is family business. By this definition, the basic factor to be listed in family business category is ownership (direct or indirect) of that firm.

In Thailand, family business plays important role in overall Thai economy and society. However, many firms fade away after the succession to next generation by various factors. One of the most important factor is Succession process. There are number of researchers who analyzed and conceived in various model, the different between social tradition, traits and environment but the result may vary among different context of the society. Result in different model in both part of the world. As well as change in current market, which may speed up the change or make some knowledge irrelevant.

The important part of pass up the business as known as succession in family business can lead to success or failure especially the strategy next owner chooses to rely on Adaption and learn from both literature and real expertise is the reasonable way to conduct the finest outcome tailored for own firm.

First structure of this research is literature review and model study. Base knowledge from study in related literatures and theories is analyzed and concluded in the study model which will be apply to interviews in the main body of the research. Conclusion of the study model provides 2 directions in succession process which is different between candidate background and situation of the firm. Another model, which focuses on family business strategy planning after succession process, concludes in 3 possible directions depend on the family firm's situation and environment conditions.

The second structure in this thesis is in-depth interview analysis which 11 of second-generation owner. The process is to use based model to find out the possible combination and explanation on decisions of interviewees. The analysis of each case will discuss on how decisions effect the outcome and which model each interviewee use to make the decision. Each case provides a unique viewpoint of the situation of interviewee's family firm.

The last structure of this thesis is to conclude the finding from both model study and interview study. The main purpose is to find out the possible explanation and outcome of each model. In which, can be used as a reference for future study for practical uses. The last chapter includes researcher's adaption of the models and analysis on the process of succession and future business strategy planning.

<MBA Degree Thesis>

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CHAPTER 1. INTRODUCTION

Section 1. INTRODUCTION

Family business usually involve family members and requires interaction between active members such as children, wife or husband, to continue the business. Family business is very crucial because not only it is financial source but it can also illustrate the family tradition, future and vision for upcoming generation. Family business can be more than about strategy or marketing but it also involves social interaction between members, as there is deeper relationship within the circle of that business.

Thai family business, same as the rest of the world, plays important role in overall Thai economy and society. It is the main source of economic engine in both micro and macro level. Unfortunately, many firms fade away after the succession to next generation because of various factors. One of the most important factor is Succession process. Even though frontline researchers analyzed and conceived in various model, the different between social tradition, traits and environment but the result may vary among different context of the society. For example, western and Japanese family business may have different core practices and traditions. Result in different model in both part of the world. As well as change in current market, which may speed up the change or make some knowledge irrelevant.

The important part of pass up the business as known as succession in family business can lead to success or failure especially the strategy next owner chooses to rely on. So, adaption and learn from both literature and real expertise is the reasonable way to conduct the finest outcome tailored for own firm.

Section 2. OBJECTIVES AND RESEARCH QUESTION

Study family business is, as stated in introduction, an essential for next generation to find out the best practice, business model, strategy or plan suitable for his/her business. To pave the first path for this research, author capture 2 research questions which are the foundation and objective of this

study.

- What is the proper succession steps for family business the successor to perform based his/her situation and background?
- What is the strategical move for successor to follow or refer to after his/her succession?

To be able to answer these questions, this research focuses on strategy of next generation of owner after succession process which specifically targeted Thai business owners. The research aims to provide the analyze of some selected strategy and plan from these owners than detail in data and make the comparison analysis then finally provide the conclusion. Therefore, this research paper aims to fulfill following objective:

- To explore selected new generation of family business owners' strategy and plan in their family business plan.
- To provide data and models that concluded from literature review process and interview process to be a referent model for related family business owner.
- To purpose strategies, business model or business plan which is precipitated from the research process.

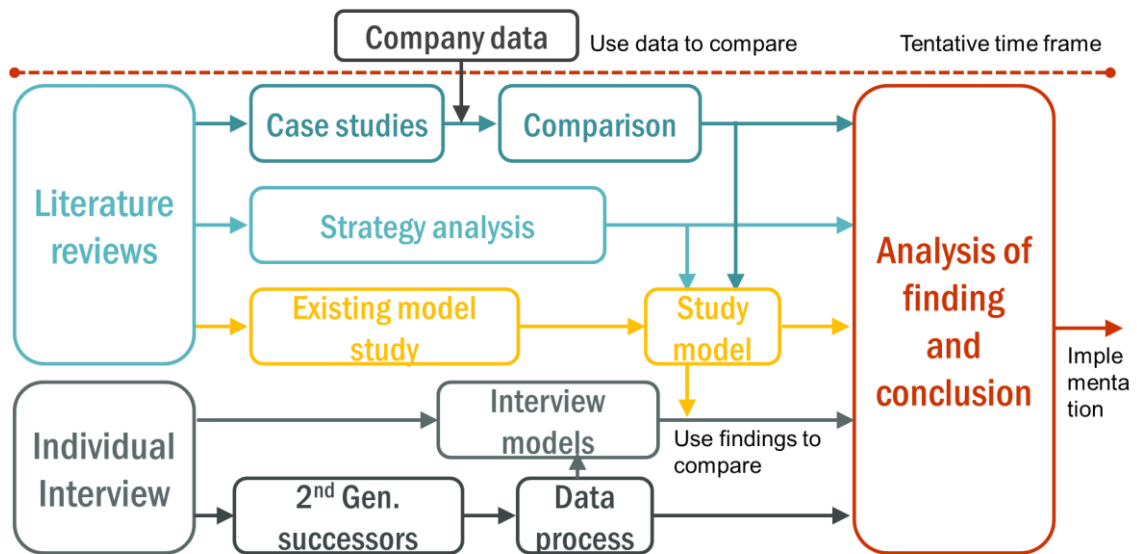
Section 3. RESEARCH METHODOLOGY

To conduct the research, author chooses to use three steps of process to complete research objectives. First, the author would rely on secondary data sources from related reviews of literature, journals, databases, and national statistics. The author then analyses and summaries the reviews into basic model to be used as the base for analysis. Second, the author will be granted a permission to do in depth interviews to investigate with selected interviewee who pass certain criteria to gather important aspects and facts for further analysis and development of appropriate strategies. Finally, after information all gathered, the author then will analyze the results of interview compare them to literature review model to conduct the ideal base model to use as reference to related family business in the future.

When conducting the research, there are several key points that involved in the research

methodology. The below exhibit shows the process of this research and relationship of each step to conclude the finding. The first process is to find the research questions, then to find the solution for solving the question author set the overall process into 3 steps. The first and second step are literature review and practical data gathering. These 2 steps are the foundation of the study. As seen in Exhibit 1, Literature review consist of 3 main parts. The objective of this step are to find the study model which will be used to frame the finding from interview study and to gain the knowledge to analyze the data. In the Interview process, author will use the models and knowledge gained from literature review to analyze findings and conclude the pattern from this step. The final step of this research is to discuss and conclude the data into models which then will be use in future implementation. Author also provide the adaption of the concluded model to give a better understanding by adapting to his family business case.

Exhibit 1 Methodology used in this research



CHAPTER 2. LITERATURE REVIEW

Section 1. FAMILY BUSINESS AND NUMBER

Family business can be defined by several means. The famous Family Business Magazine defined as “an enterprise that has been in control of a single family since its inception and either public or private, so long as family members have an input in the operation and future of the business” (The oldest family, 1999). Typical stage of business starts with entrepreneur looking for the opportunity, found his/her own company then thrive, grow, survive throughout stages to become established company. The main different between entrepreneurial and family company begin when the transition happen. If the children of owners joined and finally gain control of the company as successor, then one can presume that that company is family business. (Ernesto J. Poza, 2010) By this definition the basic factor to be listed in family business category is ownership (direct or indirect) of that firm.

Family business is the major part of today economy. More than 82.5% of all business around the world is family firm. (Lank, Owens, Martinez and Riedel,1998). In Asia, roughly 75% of all company belong to either one of lineage of family, directly or non-directly mean. (Montgomery and Sinclair, 2000). Same as Thailand in which according to survey from Department of Industrial Promotion, more than 70% of business is family firm. (DIP, 2001). In which that the value of family business in Stock Exchange of Thailand is 2.35 trillion baht (67,282 billion USD). (SET, 2010).

Section 2. FAMILY BUSINESS RESEARCH

2.1.1. Research Methodology

Family business has become well-known topic in the field of research recently. One of the main reason is that the importance of family business, as mentioned in previous section, has been well recognized and explored The research itself can be ranged back from 1953, according to the summary timeline research of family business (Frank Hoy and Pramodita Sharma, 2010) the beginning of research topic was focus on management of small firm and refining financial scheme.

The research has gone to more complex topics and involved many unique characteristics of family firm such as Family member relationship, Social interaction, Human psychology and so on. Recent topics focus on three main area of family firm; Succession, finance or management.

Methodology of family business research also gone drastically improved. According to researchers in journal Navigating the family business education maze (Frank Hoy and Pramodita Sharma, 2010), the pioneer of research still applies the same knowledge base as normal large organization firm. The result is mix; some argue that family business is not small version of large-scale company. According to the FFI (Family Firm Institute) which was founded in 1986, 'BOK (body of knowledge) for family business practice is a peer developed distillation of what competent family business advisors, consultants and educators (collectively "family business professionals") must know to work effectively in the field of family business' (The Family Firm Institute, Inc., p.3). After numerous of academic researches and practices, BOK is identified as 4 major content areas;

1. Behavioral science
2. Financial
3. Law
4. Management science

Behavioral science plays important role in managing the balance of relationship in family business which will be explained further in next section. Apart from study methodology, there are theories and assumptions involved around family business in various field.

2.2.1. Research Theory

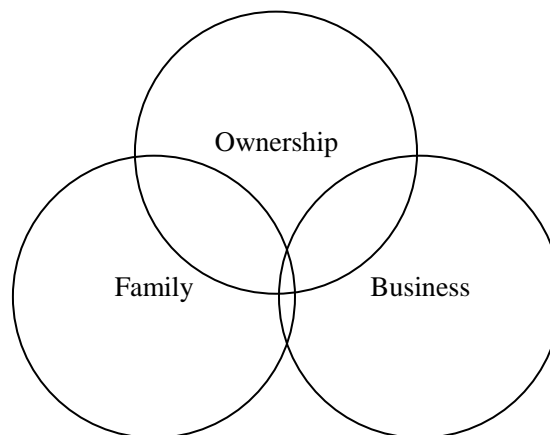
There are number of theories involving around family business, directly or non-directly. Many of researchers and business practices refer to some key theories;

2.2.2. The System Theory Model of Family business (Gersick et al., 1997)

This theory is widely accepted as the fundamental of family business study. Since family business relies on owner and their close successor, family, and are forced to address life changes

similar to organization type firm (Carlock and Ward, 2001). The life-cycle models are used to illustrate the basic factors of family business. This model identified family firm as overlapping cycles as family, business and ownership (Exhibit 2). By exploring the model, one can better understand the relationship of these circles. For example, each decision for owner must base on business view as the same time, the effect to his/her family is also a direct consequence because typically close relationship with owner. Further examination in the model reveals that each circle also progresses throughout development stages in periodically fashion. This forms The Development Model of Family business (DMFB) (Gersick et al., 1997). Table 1 explains each typical step progression and relationship between each circle and timeline.

Exhibit 2 The Three Circle model



Source: Gersick et al., *Generation to Generation; Life Cycles of the Family Business*, 1997

Table 1 The three Circles development

	<i>Founder and the Entrepreneurial Experience</i>	<i>The growing and Family business</i>	<i>Complex Family Enterprise</i>
<i>Ownership</i>	Controlling owner	Sibling partnership	Cousin consortium
<i>Business development</i>	Start up	Expansion/ Formalization	Mature firm
<i>Family development</i>	Young family business (First generation)	Mixed ownership (First or Second generation)	Complex organization (Second generation onward)

Source: Matthew W. R., Lori A. M., Sharon L. O., *A New Perspective on the Developmental Model for Family Business*, 2006.

The finding about this model is that the more developed the company is the more complexity toward each factor. Managing business as owner while balancing family relationship and compensation are key factors of family business.

2.2.3. The Overlaying Model of DFMB (Matthew W, Rutherford, Lori A. Muse, Sharon L. Oswald, 2006)

There are several key researches that experiment and explore around key concept of The System Model and Development stages. One of research paper purposes overlaying model to gain a better understanding of System Model and calculates the characteristics of each circle to find a correlation between each independence value. The overlaying model of DFMB adds several depths to each circle;

1. Owner: Gender, Growth orientation, Education,
2. Business (Firm): Capital structure, Strategic planning
3. Family: Tension, Turnover, Net worth invested in the business, Co-Preneur

The team of researcher tests each characteristics hypothesis and test by Arthur's survey of 3,033 family business owners on 1997 which was send to 37,000 United State of America business owners. Researchers then analyzed the correlation of variables to find out the relationship of each characteristics compare to firm's sales, growth rate and full-time employee number.

The result adds additional value to determine the consequence of three circles' characteristics. For example; the correlation shows that firms with growth oriented owner tends to had larger growth rates. Another finding found relationship of owner and business; firms with upper education owner were larger in terms of sales and full-time employees and benefitted from higher growth rates than those with less education owner indicate that these firms had higher chances to grow and perform better. While true to fundamental strategic knowledge; the finding shows strategic planning and capital structure were identified as positively related to sales, growth and full-time employee. In family circle, firms with high divorce rates suffered from lower sales revenue and younger in age than firms with lower divorce rates. However, some of characteristic such as gender, family turnover and co-preneurship did not show significant predictors to sales, full-time employees and growth

factor.

2.2.4. Succession process

As definition of family business involved ownership to be one who come from same family. Succession plays important role in family business. Succession can determine the survival and continuity of firm, however researches in United States of America, India, China and Europe in 2003 founded that only 30% of family business successfully transitioned to second generation while the survival rate of third generation was only 10%. (Poutziouris, 2000; Wang et al., 2003; Ibrahim et al., 2003). Same as Thailand, the successful transition lies on several key factors such as agreement on benefit, shares and power of that firm. (Kunkel, 2003).

Succession divided to two main stages; before and after succession process (Sharma et al., 2003). The ideal three steps involved in succession are, first candidate enter company as employee to gain a better understanding of overall concept and flow of organization. Second step makes candidate plays more important role as a managing or key position while owner provides coaching. First two step is before succession process and can range as long as owner desires. The third step is succession itself, while maintaining previous knowledge and understanding from experience, candidate must be able to provide the illustrate future strategic and planning or vision for his/her family business. The after process has relationship which the performance of first two steps, for example if candidate spend too short period experience work flow of organization before gaining the controlling power, he/her might encounter more issues and spend more time to solve in which may easily done if one experienced before (Stravtou and Swiercz, 1998).

2.2.5. Principles for Survival (Ward, 1997)

Ward (1997) explained the key factors of survival of family business and divided into five categories to keep business healthy; (Ward, 1997)

1. For the business:

1. Adjust business strategies to evolving market needs.
2. Reinvest actively in the business.

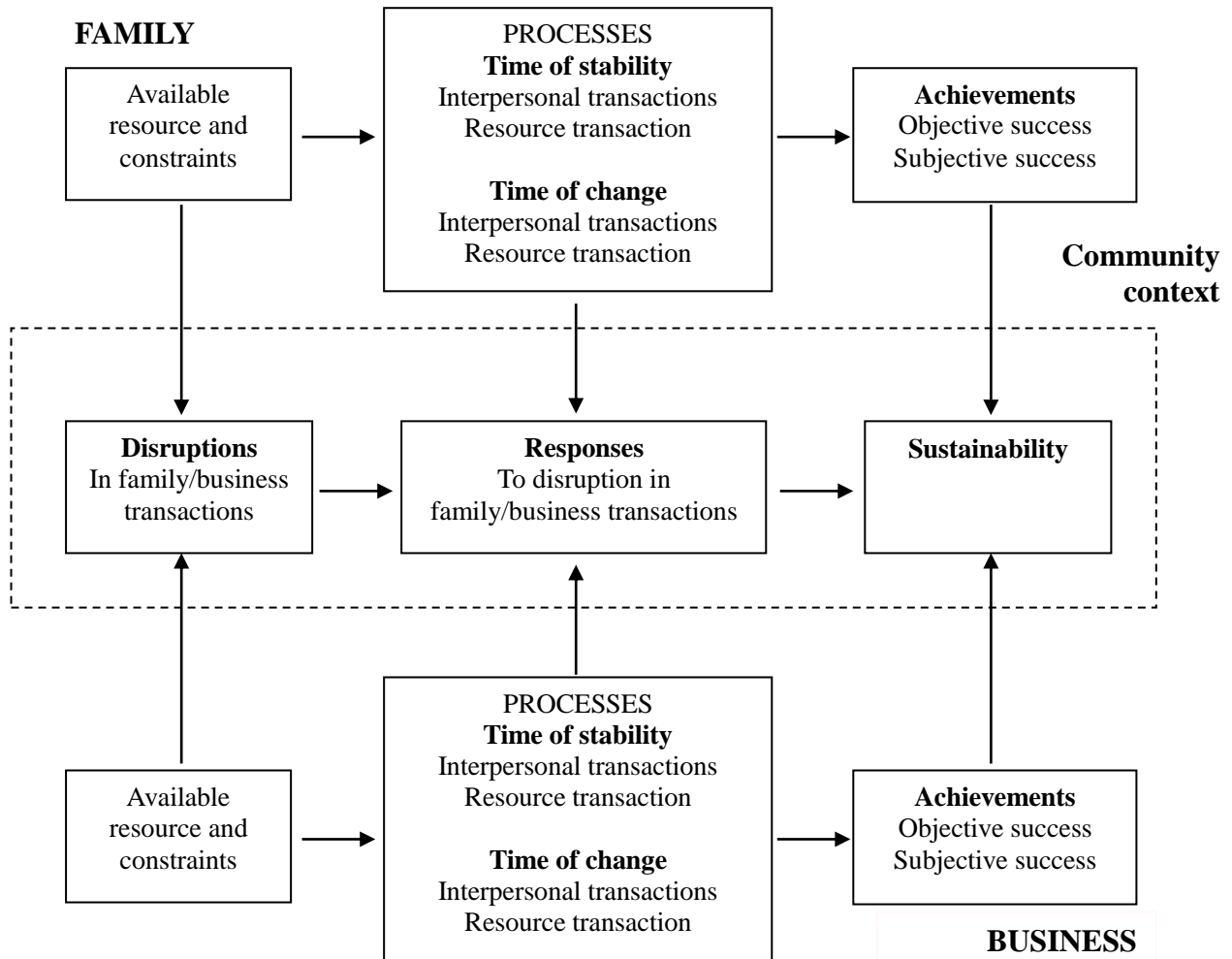
3. Create and plan new business strategies for the future.
2. For the organization:
 1. Establish formal management systems.
 2. Delegate authority.
 3. Hire new people.
 4. Prepare a successor.
 3. For the business owner:
 1. Keep the organization's aspirations high.
 2. Hire outside consultants or establish a board of outside directors or both.
 3. Relinquish business gradually.
 4. Continue to experiment strategically.
 5. Share decisions.
 4. For family financial demands:
 1. Encourage personal savings and frugality.
 2. Educate the family as to what the business needs.
 3. Create a climate that favors change.

These key principles can be related to The System Theory and further explain the importance of balancing of each circle.

2.2.6. The Sustainable Family Business Model (Stafford et al., 1999).

The Sustainable Family Business (SFB) Model is a theoretical model that emphasizes the sustainability of family business system as a balance of family resource and business success. It is claimed the flexibility to incorporate both family side and business size individually and conjunction to each other while maintaining the balance. (Stafford et al., 1999). The diagrams (Exhibit 2) shows that boundaries of two main part: family and business are permeable by the degree of overlapping in social context.

Exhibit 3 The Sustainable Family Business (SFB) model



Source: Stafford et al., A research model of sustainable family businesses, 1999

Available resource can refer to human resource (family members, employees) or capital (family capital, revues) skill (talents, unique traits) or psychosocial (local existence, relationship). The model suggests to examine the available resource and constraints and process through the tunnel of time, each step must consider disruption and responses to that factor.

The SFB model suggests that at certain times, resource transactions and interpersonal transaction may facilitate the sustainability of family business. (Lansberg and Astrachan, 1994; Rodriguez et al., 1999). For instance, interpersonal dynamics among family member which provides financial support or emotional support can lead to the stability or overcome of constraints. These transaction is unique to other types of business so that it may provide more meaningful assistance for

family business to survive. (Procidano and Heller, 1983).

Another factor is adaptability to change. As indicated in the model as time of change, either interpersonal and resource must be modified accordingly to pattern of changes to perform long-term sustainability. (Ward,1999).

Achievement needed to be set to measure each success (or failure) to indicate the performance of past session. Both subjective and objective is required. Addition to achievement, rewards, goals, and perceptions also need to be set so measure more precisely. Understanding past achievement helps business owners choose to invest their resource (time and money) in correct fashion. Not only more investment, failed goal can help owners to stop the investment and focus on more accountability one.

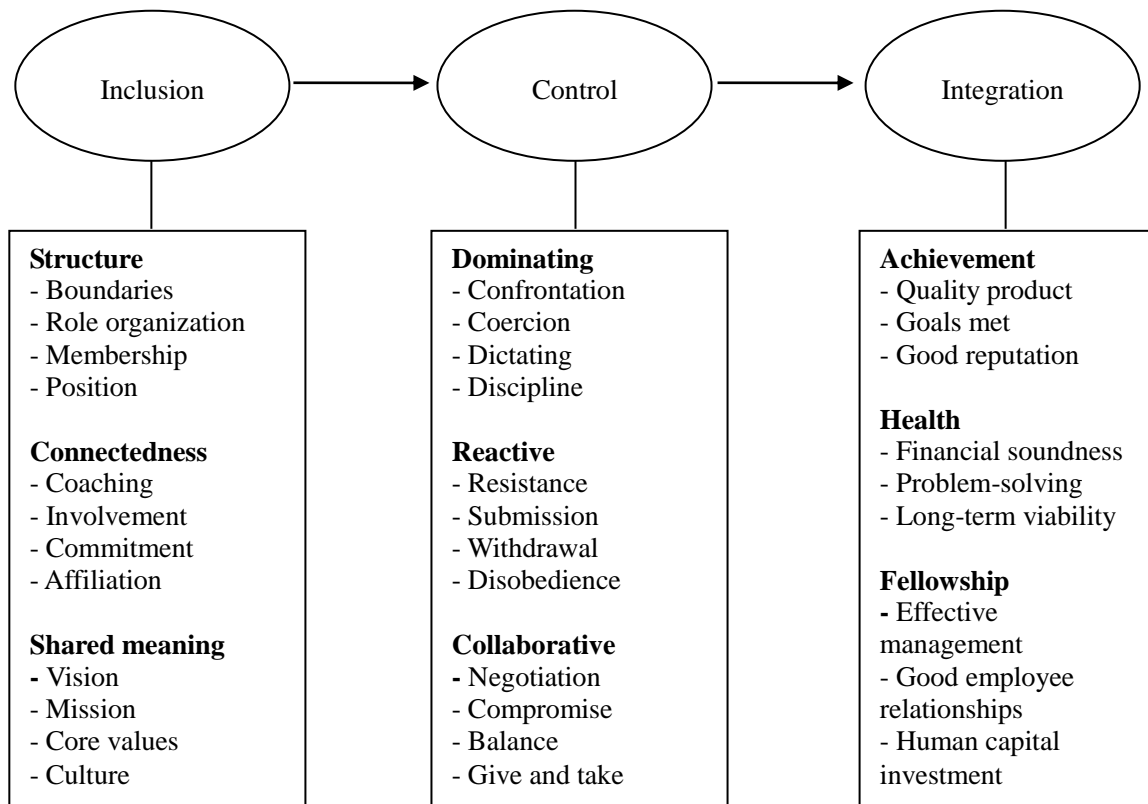
The SFB can be used as per project or long-term assessment to family business to help owner set their visions and goals. (Stafford et al., 1999).

2.2.7. The family business Fundamental Interpersonal Relationship Orientation (FIRO) (Danes et al., 2002).

The long-term survivability of family business depends on how to adapt to change. During lifetime of each business consists of two types of changes: formative and non-formative. (Connor, 1992; Danes, 1999). Formative change is change that predictable and coming accordingly to time or planned. For example, change in products line, change in trends, change in owner/employee in common way. Owners should conduct the periodically plan to adapt and prepare for formative change. However, another type of change, non-formative, is critical and unexpected and can lead to crisis of family business. For example, natural disaster, sudden loss of value resource, economy disruption.

The family FIRO model explains human dynamics of change and can be used for assessment, problem-solving and planning to change process. According to Danes et al. (2002), major proposition of the Family FIRO Model is that a sense of inclusion in a family business and the manner in which control issues were managed had important influences on the integration (successful achievements) of the family business system. (Exhibit 4)

Exhibit 4 Family Business FIRO model



Source: Danes et al, *Family FIRO model: an application to family business*, 2002

FIRO model is outlined in development of various dimensions. The model, for example, inclusion part, is not just only limited to structure. It also means the relationship of shared meaning among family business members, it also indicates resources that precisely identify critical resources and constraints that may affect the way people respond to change. Control dimension indicate the interaction that concern influence and power the member hold during times of change. The tension motivates member to react (positively and negatively) to changes. While integration refers to how family business adapt and integrate those influences to changes and provide assessment of the change.

CHAPTER 3. BASE MODEL

To gain better understanding each candidate who participated in this research, the base model is used to measure the data gained from interview process. Base model is drawn from result of literature review in previous section and study model which was performed by a survey. Base model will be used to analyze the data and then can be summarized to match each candidate strategic moves and planning.

Section 1. STUDY MODEL: JAPANESE BUSINESS INNOVATION TRIGGERED BY SUCCESSIONS

Norio Kubota (2010) researched the study done by Japan Finance Corporation for Small and Medium Enterprise (JASME) in which included 10 cases of business succession and after result. He conducts research and analyze the data from each case then compares the familiarity and comes up with conclude model.

3.1.1. Research background

Japan is the most well-known for the large number of hundred or more year olds business. Those business firms typically are long running small to large family business. Tokyo Shoko Research conducted a survey in 2009 to conclude that the number of company that aged more than a century is around 21 thousand out of 2,130 thousand of enterprise database. Almost 96 percent of these firms are SMEs with fewer than 300 employees. One of undeniable reason for the long history is unchanged traditions and adaptable to changes (Yokozawa, 2000).

Organizational characteristics of family business in term of strengths is flexibilities, which results from the exclusive control power while in term of limitation, cultures and difficulties in organizational changes periodically. (Carlock and Ward, 2001) To increase the chance of survival and success, family business should establish up to date management system and initiate business innovation strategy. According to JASME, SME new owners who established new system within 10 years after succession process is higher in number than first or previous generation. (JASME, 2008)

3.1.2. Research methodology and description

The research draws evidences and analyzes cases featured in JASME survey in 2008. The survey carried out between 2007 and 2009. The 9,397 responses from 24,569 were collected (38.2%), this survey targeted SMEs owners who succeeded the business.

The research selected 10 cases from data provided by JASME survey. The criteria are

1. Must be Japanese SMEs (300 or fewer workforce)
2. Has more than 50 years of history
3. Was succeeded by the same family member of previous generation

The companies ranging from manufacturer to local handcraft firm. While successors are varying, mostly son or son in law while there are case of wife and brother take in control.

3.1.3. Research conclusion and study model

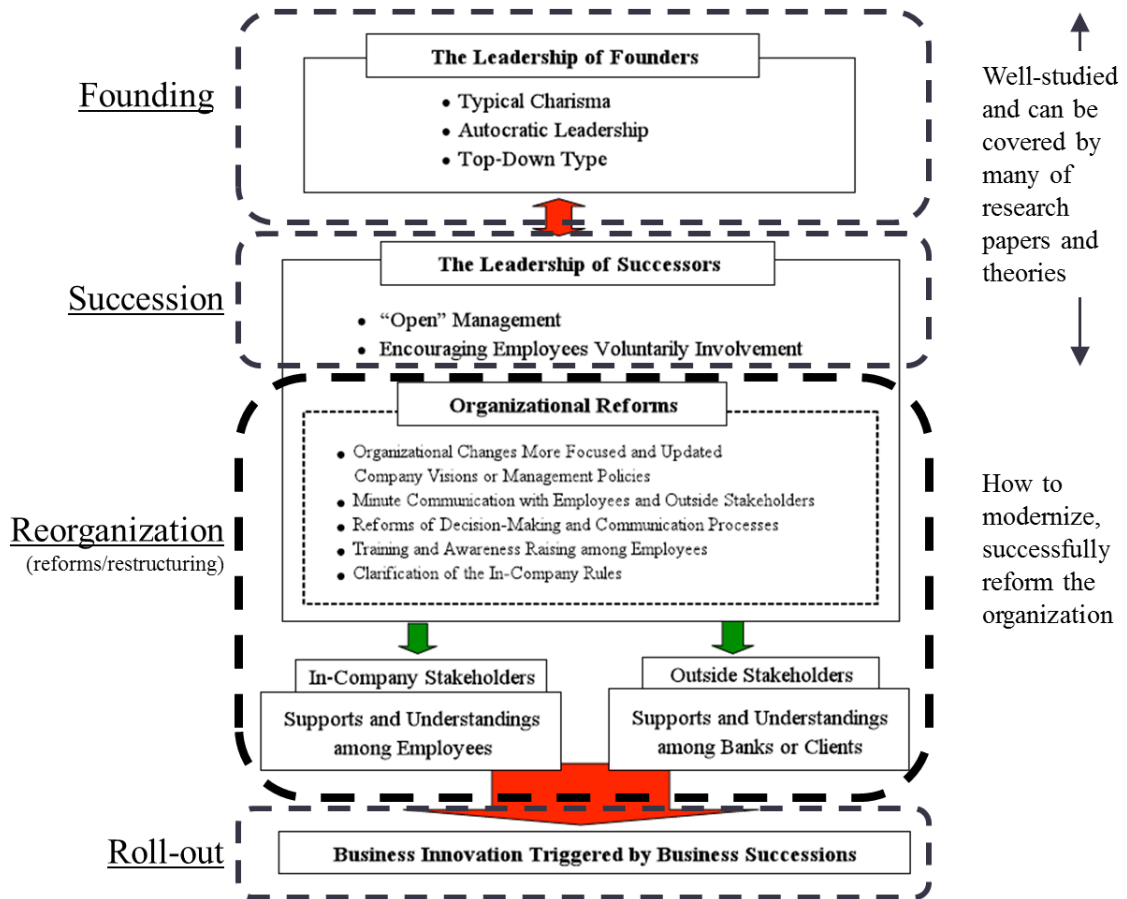
From cases analysis, there are factors that could determine the strategy that successors will implement in the future. In many cases, successors first enter the same company as previous owner to learn the system and make the relationship with customers or other employees. This action could help decrease the resistant and make candidate prepare to take the position. Norio concludes 5 main strategies that candidates use during and after succession period.

1. Change the company vision and management policies to be more up-to-date.
2. Strengthen communication with Employees and stakeholders in various forms such as town hall meeting or digital formats. Show concrete number and result from strategy time to time to gain trust.
3. Reforms decision-making to make it clearer to identify the line work.
4. Talent training and awareness of training process.
5. Clarification of rules and policies.

According to case studies, some successors faced problem from feedbacks or resistant because previous owner strong charisma or characteristics which have to carefully communicate to employee to gain trust and support. To make changes in organization after succession process, successors made changes and focus on more open management policy and system. This approach is found to be

effective to gain trust and support. In addition to this approach, encouraging employee to involve in change also help further understanding employee while also refine the system to be more fit to which is the ideal of the company. The finding can be drawn as a following model.

Exhibit 5 Business innovation triggered by successions model (Norio,2010) with underlay



Source: Norio, Japanese Business Innovation Triggered by Successions, 2010

When combining with literature review and based theory, the process of organization transforming is divided into 4 parts. In this research, Re-organization will be focused and used to draw a based study model to perform research study in the further step.

Section 2. REFERENCE MODEL: SUCCESSION FLOW AND STRATEGY ADAPTION

To further identify the data and strategies done by research interview in this research, the reference model is drawn by data from literature review and JASME survey. The model is to be used as one of the study method to frame interviewee strategy and action during, before and after their

succession period.

3.2.1. Define strategy making process

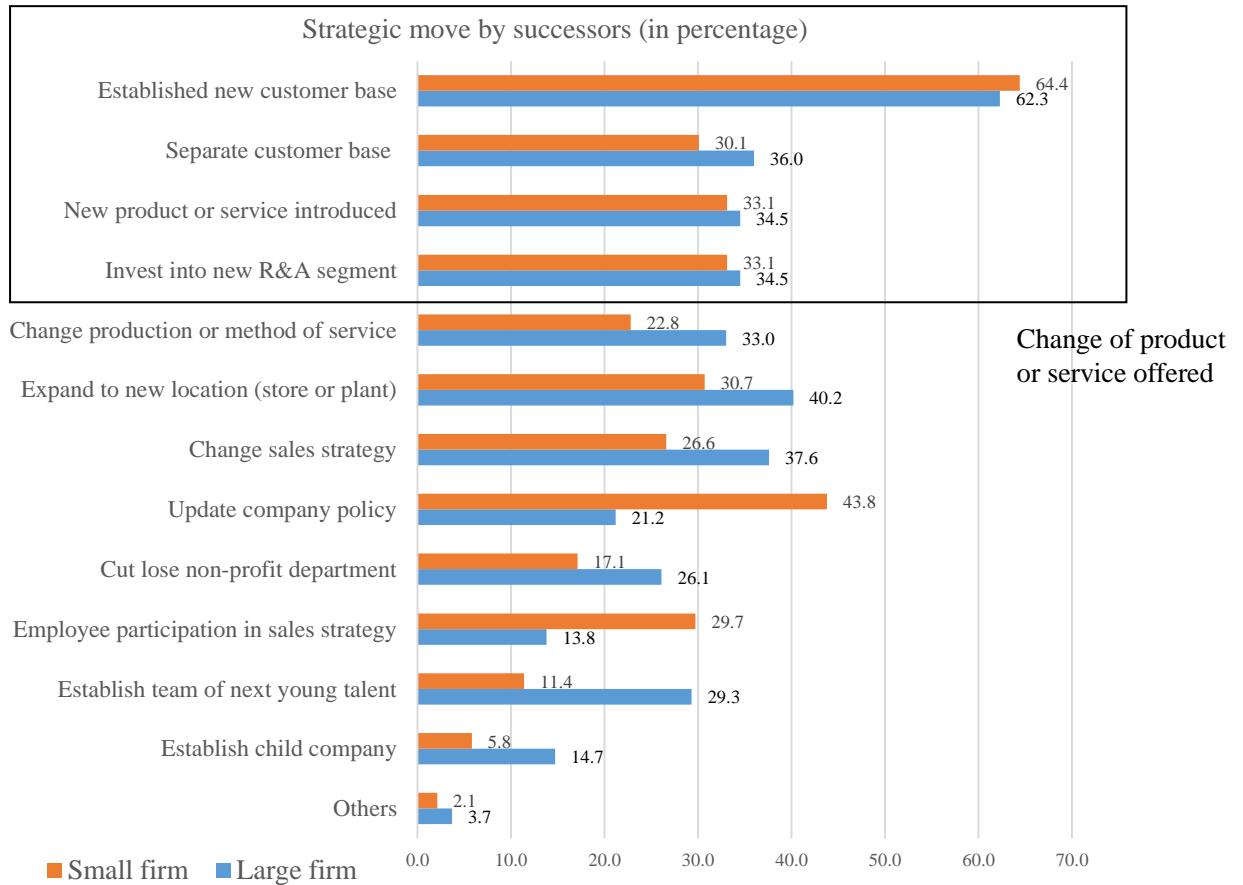
In family business perspective, there are 4 influences that have an effect on strategy making process by owner. 4 factors that must take in consideration to better understanding the process of each candidate. The factors are as follow;

1. Value: Family business tends to observe the value of members differently. Owner gives priority to family member even through the value is not clear, thus it factor is heavily affects the decision and perspective.
2. Role: Role must be clearly defined. If member cease to exit the role, there must be succession and alternative for that member. Family business must calcify the role of family and employee.
3. Arena: Arena is place where the actors (employees, members) perform. Informal and formal arena must be separated and member must be clarified which arena they belong to.
4. Legitimacy: Legitimacy is one of the most common issue in family runs business. Family business must gain and maintain legitimacy from both outsiders and insiders.

3.2.2. Research on SMEs and their successors strategic actions

According to survey by JASME as referred in previous section, the further detail is explored about how participates perform a strategical move and future vision. The fields divided into 13 categories and are filtered to 2 types of response; small firm (less than 20 employee or 5 employees in service industry) and medium firm (less than 300 employee or 100 employees in service industry). Total of response is 4,142 firms in which 2,009 firms are small scale while 2,133 are medium scale firms.

Exhibit 6 Strategic move by successors (JASME, 2009)



Source: JFC, *Business Successions in SMEs, 2010*

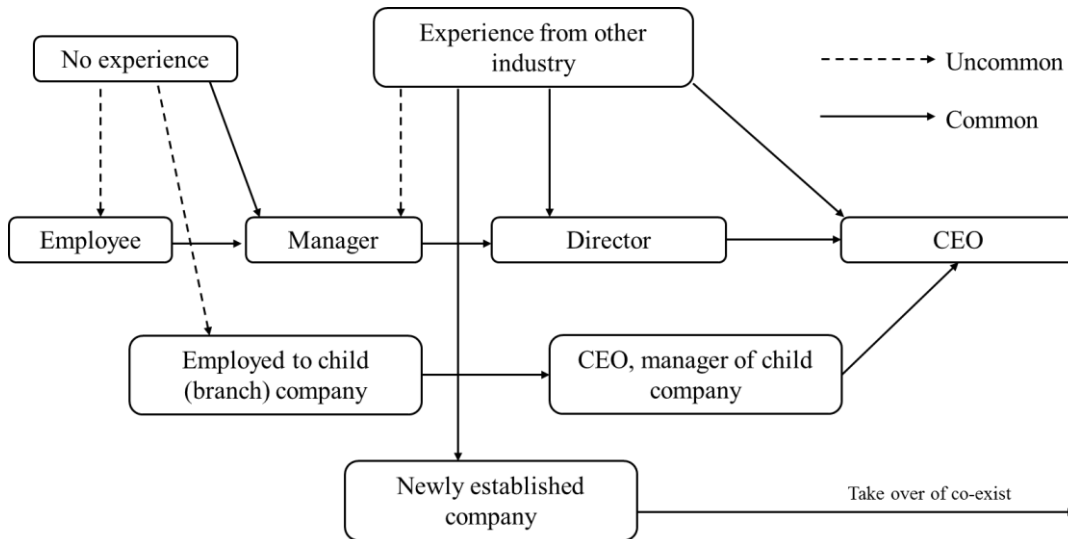
From the result, the first 5 categories are based on changing products and services from which previous generation focused. After calculation, 91.2% of small firms and 89.7% of medium firms successfully change their main product or service. While the rest 7 categories are related to change or improvement in operation and work flow. The total calculation in successfully change in operation and workflow are 69.7% for small firm and 89.5% of medium firm. The conclusion, which can be drawn from this response, is that the main strategy of majority of succeeded candidates is to perform a change or rethinking in product or service. Another linked conclusion is that agents of change has a degree of relationship with survivability of firm after succession progress thus make it the crucial part of strategy planning.

By drawing conclusion in the survey, the flow model can be drawn based on strategical choices performed by succession candidate in the next section.

3.2.3. Research reference model

Combining study model from Norio (2010) and survey analysis result from JASME and literature review earlier discussed, the reference model can be drawn. The model serves as frame and analyze tool for next step of research.

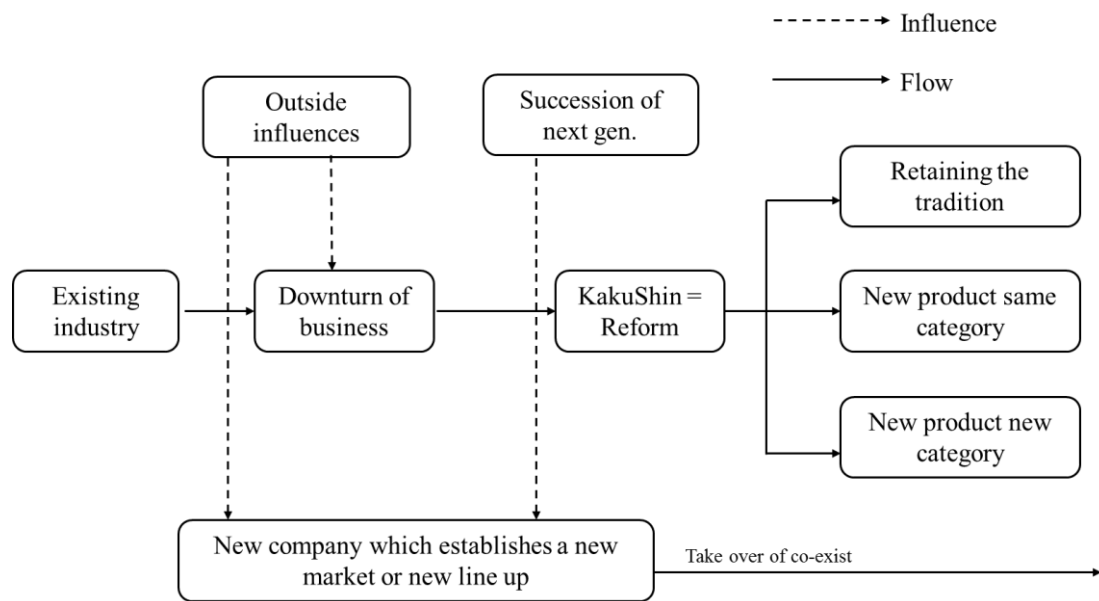
Exhibit 7 Succession power reference model



This model discusses and draw the relationship of how successor move along the position inside company. The first assumption is that potential candidate starts from graduation in some curtain education level suits enough to join the company. In the model lists, which as “No experience”, candidate joins company as normal employee level or equal. The common routine is that candidate slowly gain experience and controlling power inside company as the time goes. Normal steps are, employee, manager, director and then succession process to CEO. However, the first example rarely applies to typical family business. Due to the nature of family business, potential candidate usually gain trust and privileged as one of family member from previous owner. The second assumption is that candidate, as from freshly graduated, join the company as a position the already gained a certain level of control power, in this case “manager level”. Small firm usually has a low number of employee; thus manager position can mean the one who is next to CEO. Next step of this assumption is candidate pass through succession process to be CEO or next owner of that firm. The third assumption is that candidate seeks experience from other industry or other company

in same industry which is unrelated to family firm. In this assumption, candidate usually gain more trust and power based on experience so it is common to join as manager level or go straight to succession process. The last assumption is that candidate is assigned to Child Company first to learn and gain experience. In this assumption, in the typical way, after succession process candidate would pass through manager level because of he/she already hold knowledge and experience from child company.

Exhibit 8 Business strategical move



The second reference model is referring to business strategical move before and after succession process. In the survey from JASME which is used several times in this research, as previously discussed in another section, many of small and medium firm tend to reform their product or service or strategical approach. The research from JASME refers to this action as “KakuShin (革新)”. Reforming family business is triggered by outside influences such as competition, material cost, financial situation and so on. While inside influences such as company policy, change of leader, new production method are the result of reform. In the assumption drawn by analysis, there are 4 approaches that reform can lead to. First, retaining of old tradition. By continuing to serve the same services or products as before the reform but there are some changes that will lead to more work efficiency or cost reduction. Second approach is opening new line of portfolio. This means changes

of products or services offered or change of target group comparing to before succession process. In this approach, the new line still related to old product line. It is resulted from the shift of strategy and adaption to current market in some industries, which is services or products, can be out-of-dated. However, family business still bases the current focuses on previous line of product and utilizes the cultivated knowledge to begin new products or services line. Third is the drastically change of company lineup. This approach is to change the products, services in which completely unrelated to previous product offered. The strategy can be result from succeeded candidate found better situation in other industry. The last approach is to establish the new company to serve as new products or services strategical move.

Both models serve as analysis tool for studying target's strategy planning and approach to market situation. This research will apply the models to data that resulted from in-depth interviewing and secondary information.

CHAPTER 4. CASES STUDY

Cases study are performed by selecting target who pass several criteria which in essential to be able to gain the knowledge and finding. The criteria in this research are as follows;

1. Must be second generation (or greater) of family business
2. Member of Chamber of commercial, either local of nationwide.
3. Succeeded at least 3 years. This ensure that candidate will be able to detail the plan and strategical move, which will be analyzed and recorded.
4. Is owner or CEO of family business

In this research, 11 of interviews are performed, analyzed and detailed this chapter. Each of case study will be written in the same layout and the strategical planning and moves will be represented according to reference models in previous chapter.

Section 1. CASE 1: VEEVARA GROUP

4.1.1. Background of company

Main industry is oil and gas. Based on Southeast part of Thailand, Veevara group consists of 6 companies cover gas distribution and retailing, petroleum logistics and gas station management. Total of 100 hundred employees in all 6-sub companies. Each company performs business to specific product but still relate each other in the same group. The biggest revenues come from gas logistics and distribution to. Current CEO is Veevika Thithipitaya (32) who came in charge on 2006 as marketing manager.

According to data from interviewee, current revenue is around 57 million USD (2 billion THB) which is increased from 46 million USD (1.5 billion THB) annually revenues before the succession began.

Law in Thailand heavily regulates the oil and gas distribution industry. Each lot begins as license company auction from nation institute. Only company that holds license is allowed to join the auction so the competition is limited. Veevara group gains advantages from being the first mover in the past and economic of scale, which prevent new entrant.

4.1.2. Situation of company before succession

Previous generation of Veevera group, according to Veevika, current CEO explains situation before succession is stable but highly fragmented and unorganized. The following points are the main issues, which can be drawn out from the interview;

1. Previous owner focuses only on small and local gas station. Even though it was easier to be a first gas provider in rural area of Thailand, the profit was slim and revenue was unstable.
2. Small gas truck (300 liters per round) to access to remote area. This was a temporary measurement to gain the more unexplored market.
3. Focused on B2C strategy. Main target was end gas user in market area.

4. Most of revenue was from gas station business (B2C). There was not strategy or attempt to expand gas distribution business.

While company performance in the past was not in crisis, the gas station business become more restrict and less potential to grow. Because of gas station in mandatory service and has a fixed serve area, meaning that it will be soon cover all the area of unserved market in the future.

4.1.3. Strategic planning analysis

As a succession candidate, Veevika who joined the company as marketing manager began to investigate the market structure and gradually change to Business-to-Business transaction. The focus of Group Company has been changed to oil distribution to other gas station all over Thailand. The group revenue is change to logistics and distribution. The main reason that Veevika choose to shift the focus because there are potential in expanding the business customer base rather than consumer base. In addition to this reason, due to highly regulated industry, providing oil delivery is restricted to a few players in each area.

1. Keep the company product and service portfolio
2. Rather than expanding previously strong product, the new CEO focuses on potential segment, oil and petro delivery.
3. Introducing standardize process such as GPS tracking, ISO and Quality control.

Five forces analysis of Veevara group can be analyzed as follow:

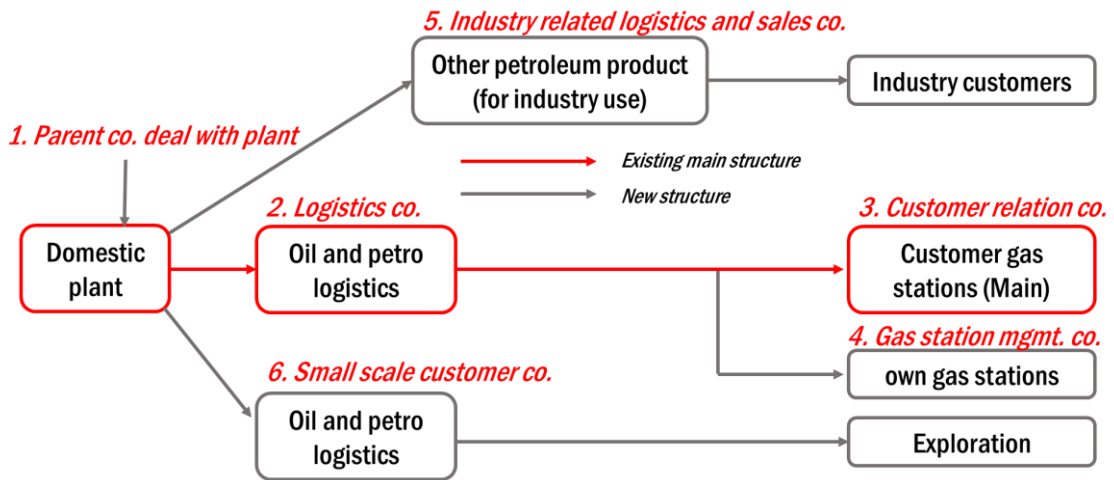
1. Competition: Low due to regulation and economy of scale. In some area, only Veevara hold the license to distribute gas makes it a sole player.
2. Entrant: Very hard to enter the gas and petro industry because of regulation, economy of scale of existing players and the high amount of resource needed.
3. Supplier: All done by contact.
4. Customer: Business partner who is far away from distribution center might find competitor to be more cost effective if competitor expands the area.
5. Substitute: As long as vehicles still use gas a main source of power in Thailand, this industry still hard to be penetrated. In more long term view, there will be

substitute power to serve a substitute natural gas resource.

4.1.4. Model analysis

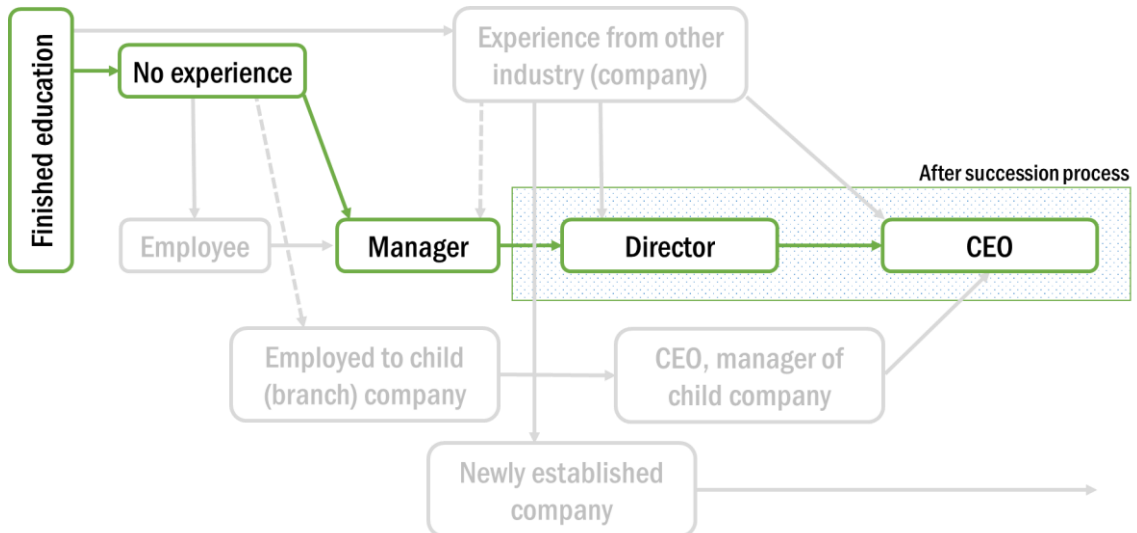
Business model of Veevara group changed slightly from previous generation. 6 sub companies focus on business related to oil and petro. The main business was changed to logistics as previously discussed while other business's resource and investment has been limited.

Exhibit 9 Business model of Veevara group



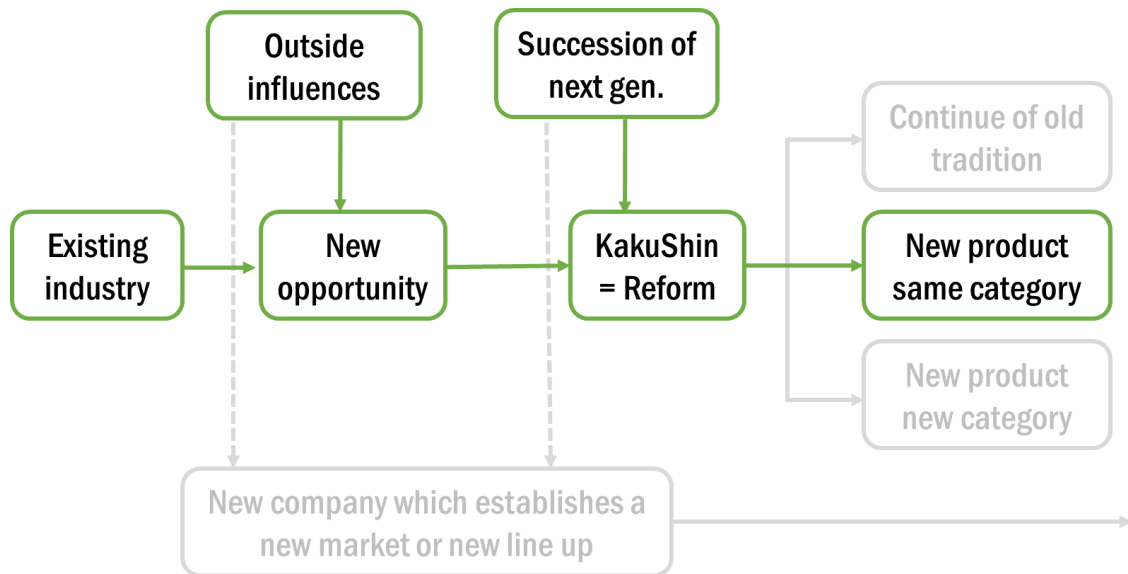
Previous CEO perform succession process by let the candidate joined as manager level, while candidate was gaining experience and knowledge, previous CEO was in charged as a coach. The succession process can be described as reference model as follow:

Exhibit 10 Succession model of Veevara group



Veevara group, although change focus to logistics part, does not change structure of the organization apart from standardization. The strategical approach of the new CEO is clear that she chooses to focus solely on logistics business while still keep other business on track. The Business strategical move can be described as reference model as follow:

Exhibit 11 Business strategical move of Veevara group



Still in the process of change, Veevara group future can be lay-outed as further expansion of logistics part. Utilizing the advantages of the advantage of business model.



Section 2. CASE 2: KITCHAROEN POULTRY 1999

4.2.1. Background of company

Kitcharoen poultry 1999 (refer as Kitcharoen) is now 2nd generation poultry farm stationed in Southeast part of Thailand. The company small as there are only 30 employees. Current owner of this company is Issaree Warawongkitti (33) who joined on 2006 as general manager and assistant to his father who is a previous owner.

Kitcharoen is closed contact-based farm. The contactor is CPF, the most famous agriculture giant in Thailand. The system of this company is simple, CPF assign number of productivity they need then sign the contact with Kitcharoen based on the size of its farm. Since contact is predetermined in annual period, revenue is fixed for that year. The only main method Kitcharoen can generate more income is to reduce the cost of its entire company.

According to data from interviewee, current revenue is around 4.2 million USD (150 million THB) which is unchanged before the succession began but he is trying to reduce the cost to increase income before tax.

4.2.2. Situation of company before succession

The situation of this company can be described as a stable period but experienced with slightly income decrease because of the increasing labor cost and farming cost. Main issues can be summarized as follows;

1. Ongoing cost increase in all area while revenue is fixed
2. Unorganized cost structure led to unpredictable overhead cost
3. Limited production space and potential to expand chicken space because of contact limitation
4. Putting a large portion of investment to keep machine updated

The main issues of this family business focus on how to reduce the overall cost while still keep on the promise quality as signed in the contact. In addition to the contact-based leverages, CPF also

provides basic knowledge and training for Kitcharoen.

4.2.3. Strategic planning analysis

The contacted poultry system can ensure Kitcharoen from other competitors. While going to free contact system may be able to negotiate the cost, Issaree, as a next CEO, tries to leverage the cost reduction strategy and uses of waste from farming to bring more revenues.

1. Focus on cost reduction. Especially on electricity since the main process of monitoring and maintain the best condition for chicken is machine. First, he updates the power system to handle the power leakage issue. Second, he gets rid of some machine that can be easily replaceable by human (most of them was man labor before). Third, he stops update the machine as frequent as his father does.
2. Utilize his knowledge of veterinarian in his undergraduate degree to quickly control the disease and keep chicken at the healthy level. Previously, it was requiring the veteran or outside specialist.
3. Utilize the waste come from farming to turn it into fertilizer. Previously, will require to hire outsource to manage the waste which is a fixed cost but as of today, this cost gradually turns into profit.

Five forces analysis of Kitcharoen Poultry can be analyzed as follow:

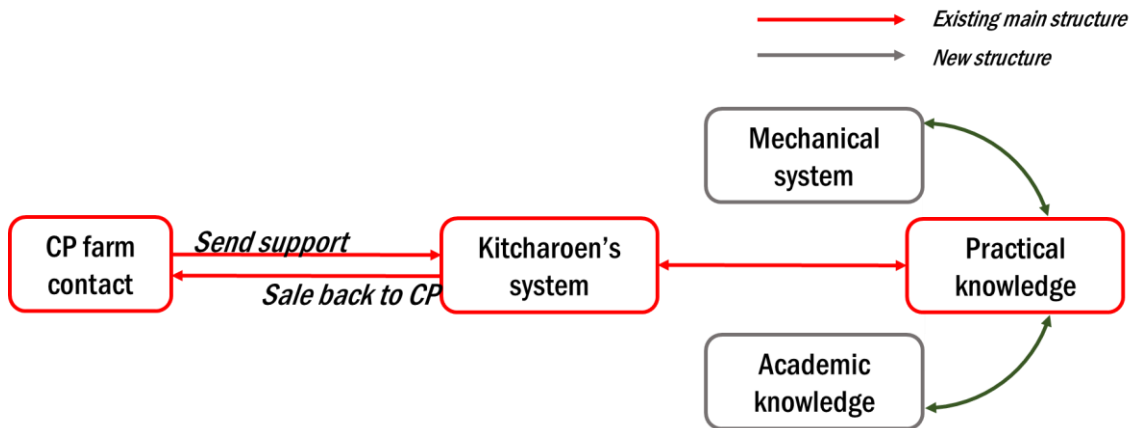
1. Competition: Low to medium. Because of contacted farming, the contact is in-some-degree guarantee by CPF as long as there is no better farm in the same area.
2. Entrant: Medium. As the amount of investment are requiring such as machine or labor. However, knowledge and cost of initial investment can be subsidize by CPF if they find the good candidate.
3. Supplier: All support by CPF (food, machine, knowledge).
4. Customer: Customer power is very high. The risk of not pass the standard can be low or high in case of disease will be lead to the termination of contact.

5. Substitute: Very low, because chicken is the main source of meat for Thailand.

4.2.4. Model analysis

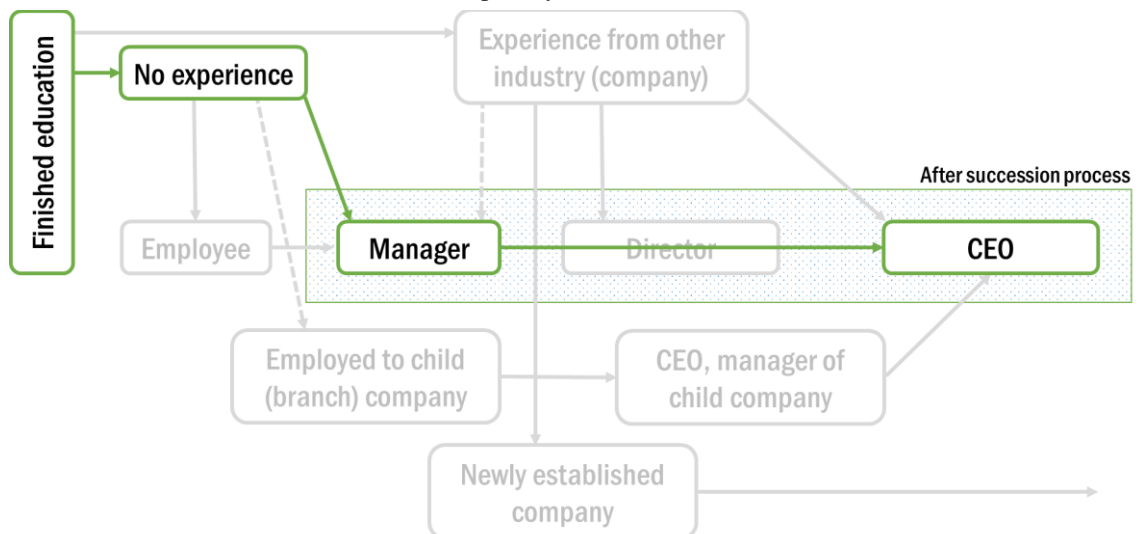
Business model of Kitcharoen remains intact from previous generation. While Issaree tries to add the alternative revenues stream from fertilization product. However, the main business still is contact farming.

Exhibit 12 Business model of Kitcharoen poultry 1999



Succession model of Kitcharoen is simple as it is a small size business and there was no resistance along the progress. The flow can be described as 2 stages, first is joined the company and learn the process while second is succeed and take over.

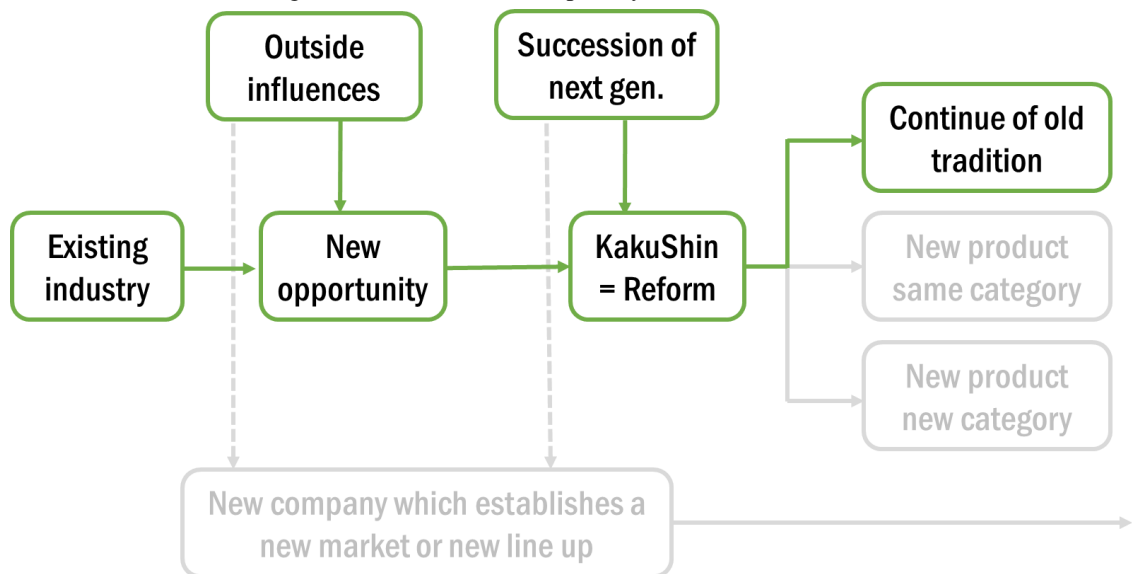
Exhibit 13 Succession model of Kitcharoen poultry 1999



The strategical move of Kitcharoen can be analyzed as stay on the old tradition. Because of

the system of contact farming which may hard to change at the present, and as discussed above, Issaree chooses to focus on cost reduction and by product revenues stream. He also standardizes and keeps the process efficient as much as possible.

Exhibit 14 Business strategical move of Kitcharoen poultry 1999



The future of Kitcharoen poultry 1999 is clear that successor stills want to put the company in the same route as his farther did. While trying to find more income source from by-product and cost reduction. However, as interview goes, he expressed the interest in more efficient power source in the future such as convert some of henhouse’s roof to solar-panel.

Section 3. CASE 3: CHEANKONG BURIRAM KONLAKAN

4.3.1. Background of company

Cheankong Buriram Konlakan (will be referred as Cheankong) is a used car part trading company based in Southeast of Thailand. Cheankong is led by Watchara Maneetumwong (32) a second generation of this family business. He joined the company in 2005 as a sub branch manager then succeeded the business in later year. Cheankong is a small trading firm that has 25 employees and 2 offices.

The business model of Cheankong is a simple car parts trading. The company buys used part from Bangkok importers. After assort items inventory system, it sales to end user or car repair mechanist who got the job from end user. The target customer is usually around 2 offices in Southeast of Thailand.

The revenues increase significantly due to expansion of the business. Annual revenue is 1.7 million USD from 0.3 million USD (60 million THB from 10 million THB) before the succession period. Main source of revenue comes from car mechanist.

4.3.2. Situation of company before succession

Cheankong was faced a low growing period in its main territory. Since growth of the sales depends on the mouth of words at first. Former CEO found the more effective way to ensure the stable income was to focus on mechanists and secure the good relationship to turn them into repeated customer. However, at the turnover period, former CEO invest in a new branch to gain more parts volume and then power to negotiate with part supplier in Bangkok. He asked his son, Watchara, to be a manager of the new office. Main issues can be summarized as follows;

1. No negotiation power with part supplier
2. Unsystematic inventory system resulted in less efficient
3. Limited to parts that sold by from supplier

4.3.3. Strategic planning analysis

Watchara first focuses on increasing volume of the order to gain more power over supplier. He also planning to create a group of local buyers. As the company grows gradually, relying on supplier seems to be limited and will can restrict the potential in the future.

1. Revamping inventory system. There are more than 10 thousand of small parts in the inventory, the old system required pre-text tag to each item. Watchara changed to computer-based for faster and be able track and change information of each item.
2. Continue to focus on mechanist customer, prioritize the relationship with existing customers to keep they stay longer.
3. Create the group of same players in nearby area to gain negotiation power to supplier.

Five forces analysis of Cheankong Buriram can be analyzed as follow:

1. Competition: Medium to high. There are already a few smaller competitors in the same area. Cheankong still gain advantage of first mover in this area.
2. Entrant: Easy to enter this industry because anyone can buy and sell second hand car part. There is no limitation such as entry investment.
3. Supplier: Supplier holds power and advantage over company because there are many end user or trader competing to get the part first so supplier can leverage the buyer competition.
4. Customer: Customer power is low to medium. Because of the normal situation when customer comes into the buying process. Repairing and maintenance require fast part supplement, which makes customer less bargain power.
5. Substitute: Low because of car is the main consumer products.

4.3.4. Model analysis

Cheankong's business model is simple as typical trading firm. Buying from supplier who imports from major maker countries such as Japan or Germany and sale off to end customer or

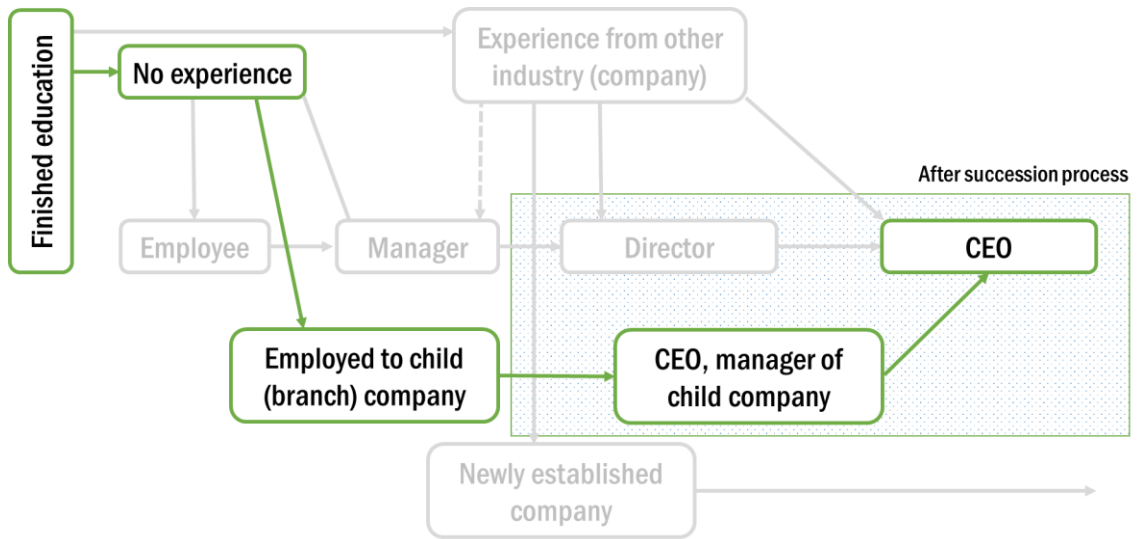
mechanist who got the repair job.

Exhibit 15 Business model of Cheankong Buriram Konlakan



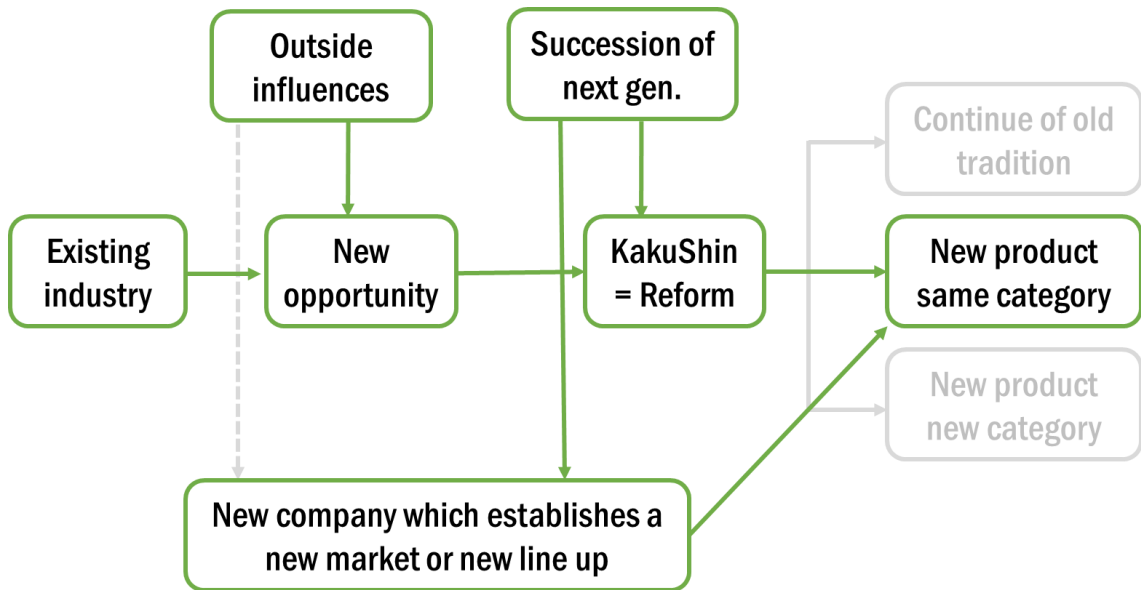
Succession model of this company is first assigned candidate to sub company to gain knowledge and experience after enough time passed, candidate then ready to the succession.

Exhibit 16 Succession model of Cheankong Buriram Konlakan



The strategical move of Cheankong is rather focus on the same product, second hand car part, but change in how to obtain the supply. In this stage, successor aims to increase bargain power and reduce buying cost.

Exhibit 17 Business strategical move of Cheankong Buriram Konlakan



The future strategic move of this family business is to liberate the supply chain by becoming self-supply company. Successor plans to import second hand car part directly from Japan to shorten the route of supply and reduce cost. However, the main problem is this method require a large volume able to balance the cost. In this case, he also plans to use the group of same local partners.

Section 4. CASE 4: BURIRAM SAND MINING

4.4.1. Background of company

Buriram Sand mining is a small family firm, consists of 30 employees, which is a sand mining company based in Southeast part of Thailand. Toranis Mappajong (39) leads this family company after he joined in 2000.

Sand mining business model can be related to petroleum industry in the sense of it requires certification from government and large amount of initial investment and machines cost. Sand mining begins at the location of mining field, for Buriram Sand mining the locations are alongside the river of Southeastern part of Thailand. Majority of customers is users who want to build a small-scale building or house, which will use sand to mix a cement.

The revenues increase significantly due to change of the strategy. Annual revenue is now 0.7 million USD from 0.3 million USD (25 million THB from 10 million THB) before the succession period.

4.4.2. Situation of company before succession

Buriram sand mining was heavily relied on customers who pass by the mining site. Main customers would come at this sand mining to negotiate and purchase the deals. However, there was not only Buriram sand mining who running the business there, which made the competition and unstable income. Main source of revenue came from regular customers or small, end users who planned to build their own building.

Buriram sand mining also ran a parallel business as construction contractor. The founder tended to leverage the sand as based material and offer the deals to make customer who dropped by the company package of construction. Even though the model seemed to work well, there was a critical fault in founder's plan as main customers usually already have plan and hired constructors before buying material. Main issues can be summarized as follows;

1. Unstable revenue because of being too passive and no strategical move

2. Construction business was operating at loss
3. Machine leakage and productivity level problems due to aged tools

4.4.3. Strategic planning analysis

Toranis begins the reforming process by cut loss the unprofitable business and focus only on sand mining. Simultaneously update the machine to reduce leakage and rise efficiency level, he also created circle on SNS to help promote the business.

1. Focus on surviving from financial crisis since construction contractor service is not make enough profit, he sold the sub-company and focus more on sand mining. (Downsizing)
2. Upgraded to newer machine to reduce leakage and rise the efficiency level.
3. Utilizing SNS to promote within the circle of potential customers.
4. Expand to new customer base. From small size company to Cement mixing plants. (More volume, long-term contract, stable income)
5. Standardize the system. Use computerize metering to measure sand. (Previously use specific container and vision to measure)

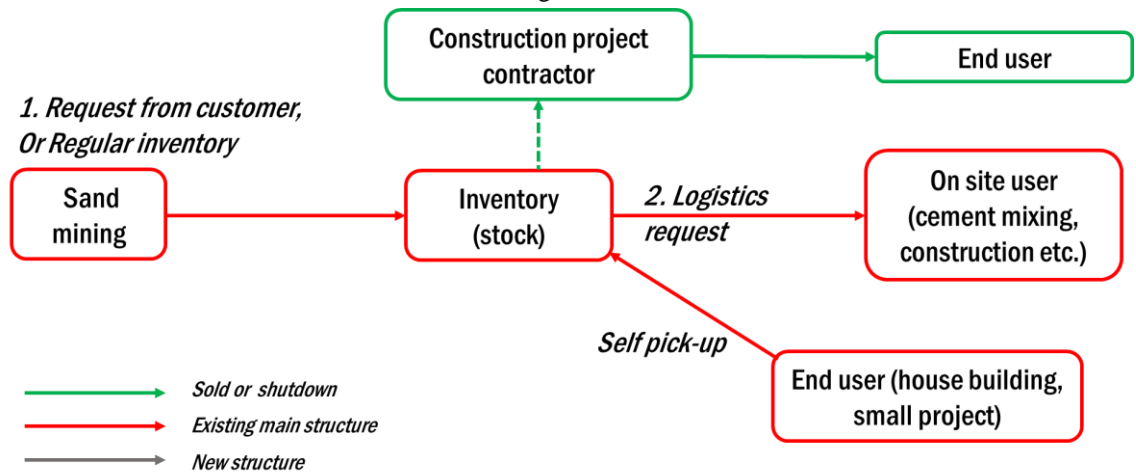
Five forces analysis of Buriram sand mining can be analyzed as follow:

1. Competition: Low-medium. There are a few mining companies in same area, more of them are smaller or less famous. However, there are risks from other players from further area.
2. Entrant: The initial investment and certification prevent new entrant to enter in the competition. Another factor is territory capacity.
3. Supplier: There is no supplier plays in the role in this industry because of Sand mining directly dig in the natural source to gather resource.
4. Customer: Customer power is high in current situation. Strategic move to contact-based deal will make this issue less problematic.
5. Substitute: Low due to sand still heavily being used in construction industry.

4.4.4. Model analysis

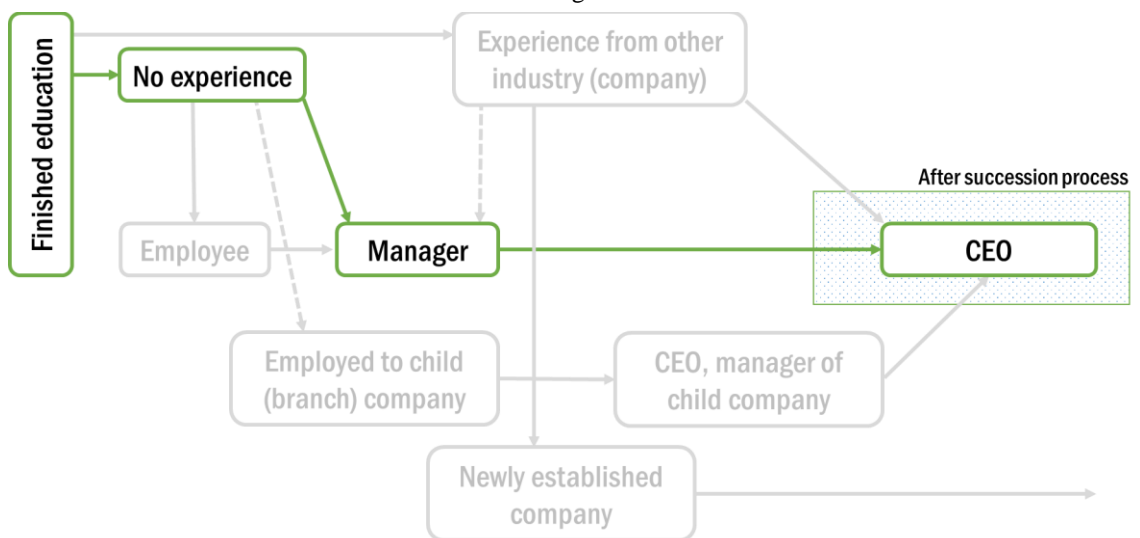
Buriram sand mining's current business model is straightforward because it shutdowns construction business. Begin by mining sand and stock in the on-site inventory, some customers visit the stock site and carry by themselves but the main focus is to make the deal with cement mixing projects to secure the income.

Exhibit 18 Business model of Buriram Sand mining

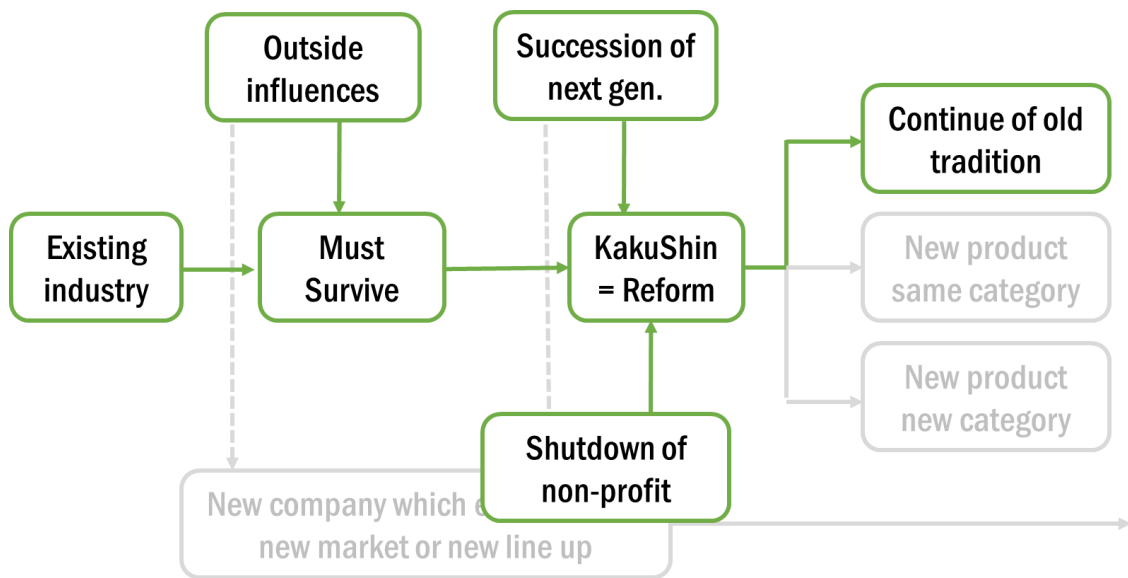


Because of the size of business, Toraris as a candidate to succeed the business joined as a manager and quickly gained trust and power from his father so the succession process is very simple as a two steps process. There were a few to none bad feedback due to trust and relationship with candidate even before he joined the company as an employee.

Exhibit 19 Succession model of Buriram Sand mining



Strategical move of Buriram sand mining contradicts to other case in the sense of cutting loss of unprofitable business and stay focus on what the company does the best, sand mining. Rather than experiment with related business or expand the company, Buriram sand mining choose to shift the main customer focus from individual end user or small project builder to cement mixing plant company. This move makes sense because of the cement mixing requires vast amount of sand while if the family firm be able to secure the deals, they can rest assure with stable revenue stream. The move then can be described as retaining of old tradition with change in customer base.



Section 5. CASE 5: BURIRAM NUMCHOK

4.5.1. Background of company

Buriram Numchok is a small construction material trading firm. Current CEO, Natthawat Kinhasawas (28) leads the firm after he succeeded his father in 2012. The company main customers are smaller retailers and some end users.

The business model is as simple as other trading firms are. Buriram Numchok purchase directly from manufacturer of each type of material and put in its own stock system, wait for resale to its customer.

The firm revenue is slightly increase after Natthawat's succession. Annual revenue is now 3.0 million USD from 3.5 million USD (100 million THB from 125 million THB) before the succession period.

4.5.2. Situation of company before succession

Buriram Numchok in the former CEO era was a typical B2C business. Trading construction material directly to end user and small construction project. Former CEO, who is Natthawat's father, played the close attention to each customer relationship. In that time, the doing business in Southeast area of Thailand require trust and friendly approve more than professional or system management. However, the situation gradually changed, customer tends to seek more professional-orient store and there are a few incoming new entrants from nation-wide organization. The former CEO faced the difficult situation.

In the late era of former CEO, he tried to change the direction to be more B2B approach to avoid the competition from end-user oriented big name hardware store. However, since B2B business requires several systems to be ready to serve business partners, the family firm left hanging in the cliff of change when the succession process began. Main issues can be summarized as follows;

1. Increasing threats from new modern trade, which is franchise from large organization, who join the local market. This phenomenon makes family firm

constantly lose on price competition, retailing and distribution network.

2. Out of date accounting and documenting system. The system still not preferable to serve B2B model. For example, lead-time of each product cannot be calculate which not prefer by most of retailer or inventory system still not well managed and recorded.

4.5.3. Strategic planning analysis

Natthawat continue the refocusing process from his father. He changes the approach and implement new inventory system to support the B2B's different requirements. Natthawat also shift the stance to more aggressive.

1. Continue the afford to change the focus to small and medium resellers. Avoid competition while trying to establish itself as sole provider in the market.
2. Change the structure to suit wholesale distribution. Establish a simple communication network between reseller to quickly response to request. For example, lead-time of the product can be quickly determined and communicate to resellers, make them easier to calculate the business and later higher the chance to become repeater.
3. Offensive strategy to find new wholesale partners. Establish sales team and new potential partner observatory team.
4. Standardize the accounting and inventory system to make workflow more efficient and reduce the time and error in such process.

Five forces analysis of Buriram sand mining can be analyzed as follow:

1. Competition: Medium. Since the firm shifted the focus to wholesale, there are less player around who are existing players. While, modern trade stores still are the most powerful competitors.
2. Entrant: The initial investment and reputation is required to establish the wholesale business. The leverage of existing player is plays the big part here.
3. Supplier: Suppliers are one of the factors of wholesale business, especially

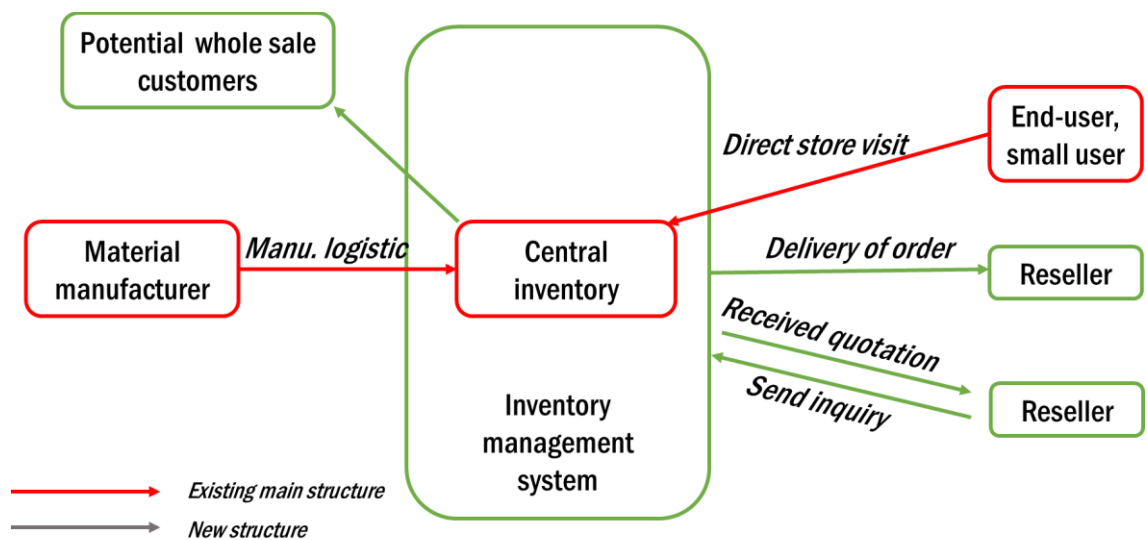
Buriram Numchok's case because of there are vast number of suppliers to deal with so there are more chance to encounter the problem.

4. Customer: Customer also plays very important role in this business. End-user side, modern trade store is a treat to draw customer away, while retailer customer side, some customers be able to get material from manufacturer directly if they have enough volume.
5. Substitute: Since there are many types of material, substitute force is low in this case.

4.5.4. Model analysis

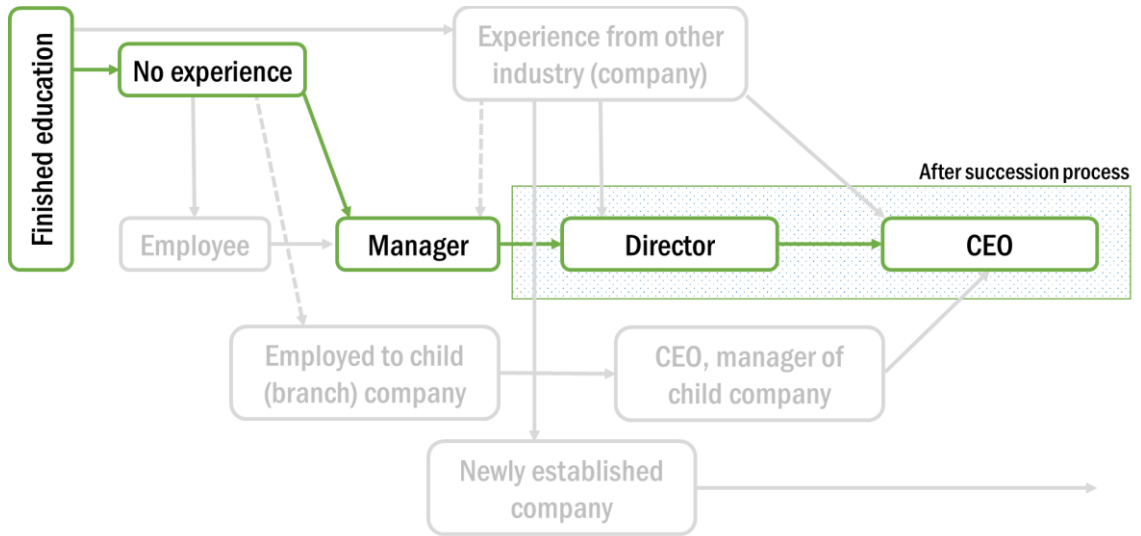
The business model of Buriram Numchok is simple in the sense that similar to trading firm. The family company purchase the material directly from manufacturer and the wholesale to smaller resellers. The central inventory management system plays the most important role to instantly serve the quotation request to retailer customers.

Exhibit 20 Business model of Buriram Numchok



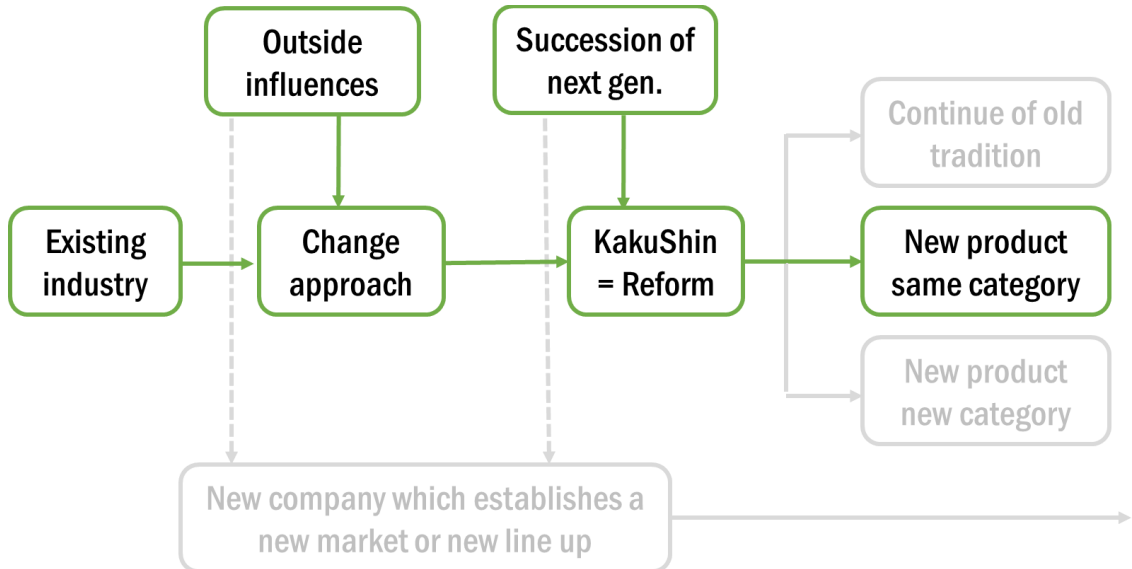
In this case, the succession process falls into a similarity to other case in the sense that candidate graduated from upper education and then straight away joined the company then had brief years in the managerial position before succeed the former CEO.

Exhibit 21 Succession model of Buriram Numchok



The business model is slightly changed to serve the new approach of wholesale system. Also products selection is shifted to wholesale oriented to avoid enter the same area as bigger franchise hardware store.

Exhibit 22 Business strategical move of Buriram Numchok



Section 6. CASE 6: BURIRAM SAENGJAROENKARNYANG

4.6.1. Background of company

Buriram Saengjaroenkarnyang is a franchise based car maintenance service center, professional in tire and tire-related car service. After worked a few years in other industry, Pimlada Kongthanairongroj (39) leads the firm after she succeeded her father in 2009. The main target group of this family firm is individual end customer.

The business model is a set of service flow, from checking to repairing and after care. Tire products are purchased from third party trading firm while man power is the talents who have been trained by the company itself. The set of service flow is easier to adapt to franchise system since it be put in anywhere and require pre-configured tools and skills.

After the change of system from previous generation, the firm revenue saw a great increase. Annual revenue is now 1.5 million USD from 0.6 million USD (20 million THB from 50 million THB) before the succession period.

4.6.2. Situation of company before succession

Buriram Saengjaroenkarnyang began as a small car repairing service which had a few number of technician. The mom and pop style firm that owner runs everything by himself. From customer greeting to car check and tire exchanging and delivery. In the past, this firm survived through many change and gain a fair amount of reputation because of being the sole tire repairing center in the area. As same as other family business, the work runs with mutual trust between firm owner and customer. Gaining the customer's trust was meant more than better price or professional service.

The situation has been gradually change because of the expansion of famous firm to nearby area and as well as the new entrant who joined the competition. Main issues can be summarized as follows;

1. The fierier competition in the area because of new entrants. Both local players

and nationwide player also join in the area competition.

2. Customer's change in the service purchasing behaviors. Previously, the trust or great reputation are the main factors. Recently, service price, easy to access and professionals are the main factors.
3. Relying too much on owner makes the system depends on owner himself. Employee cannot make a decision so efficiency level is very low.

4.6.3. Strategic planning analysis

Pimlada tries to reform the business model to be more on franchise based service provider. By doing this she starts with talent training as she is looking to make them trainers to those who buy franchise. The work process is also refined to be able to adapted easily.

1. Training structure and reward program for employees. Either in-house and off-shore training to prepare them for franchise associates in the future.
2. Utilize SNS circle to stay connected with franchise community and also with customers.
3. Reform the service flow to be earlier to adapt for franchise.
4. Standardize the whole organization system. From inventory to accounting.
5. Sell the franchise as a package of front end (service providing) to back end (accounting, management, marketing).

Five forces analysis of Buriram sand mining can be analyzed as follow:

1. Competition: High. The car maintenance industry in Thailand is in very mature situation as the car industry itself. The competition of existing players and new entrants leads to price, service and marketing war. There are also other franchise-based companies who looking to enter in the new area.
2. Entrant: Even through the entrant in this industry require a large amount of investment on machine and specialized base, the choice of franchising helps entrant to enter easier than before.
3. Supplier: Tire suppliers play the big roles here because of the nature of business

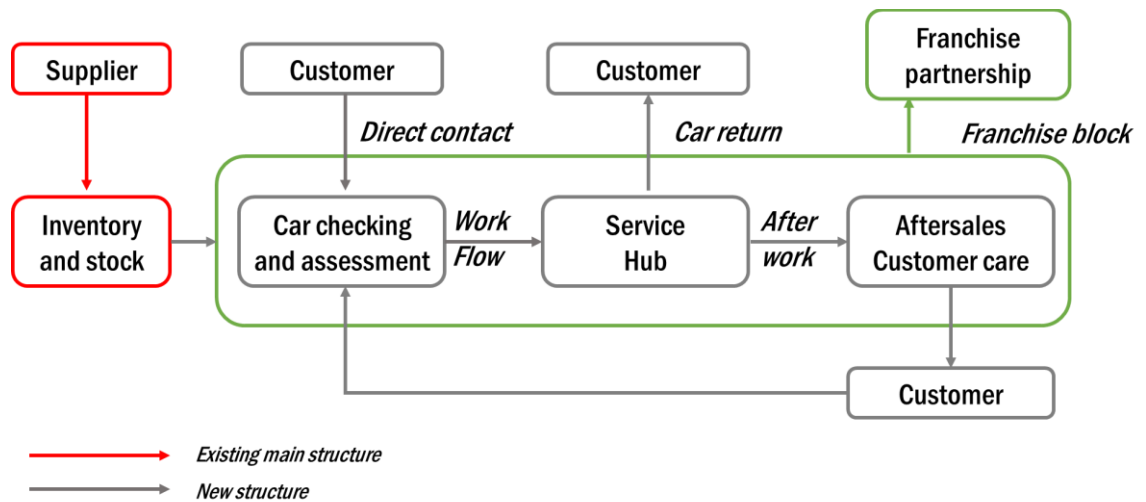
which need to rely on single type of product.

4. Customer: Customer has several choices even within the same area.
5. Substitute: Tire will still be the important part of car. Maintenance and changing the tire properly require specific tools and technical knowledge.

4.6.4. Model analysis

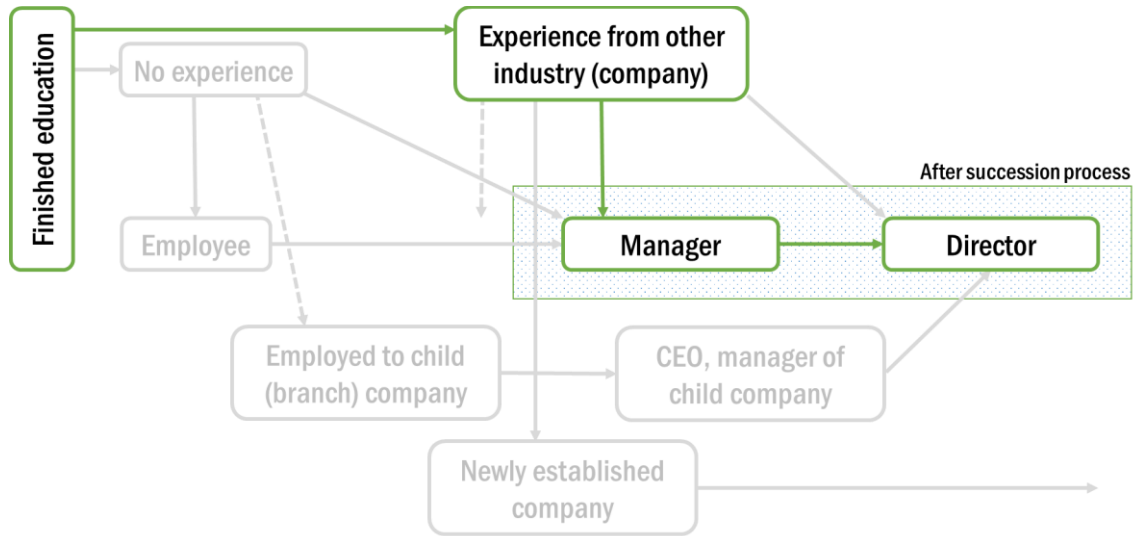
Buriram Saengjaroenkarnyang uses a single service system flow to provide service for customer. Customer will have to check their car first then flows in the process. This block of service can be adapted to other place easily.

Exhibit 23 Business model of Buriram Saengjaroenkarnyang



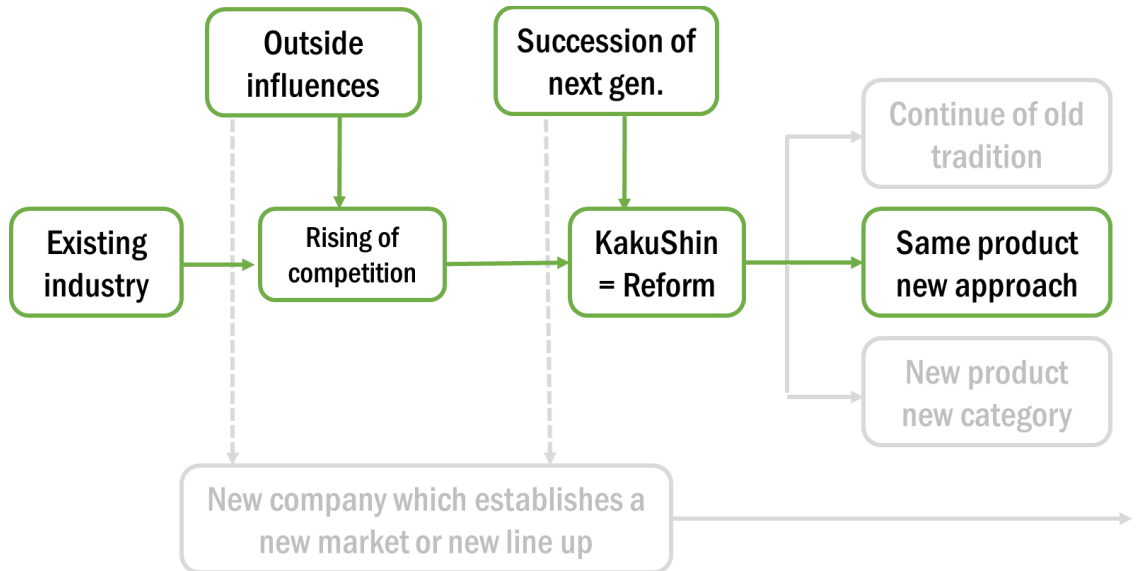
In this family firm, candidate has an outside experience before join the company. Even though the firm is not big in size at the time she joined, candidate quickly gain the control of the company and later succeeded as a CEO. There are few resistant and bad feedback, one of the reason is that there are few employees at that time and she implement reward and training program.

Exhibit 24 Succession model of Buriram Saengjaroenkarnyang



Even though the family firm completely changes the model of business from typical service provider to franchise-based service provider, the product is still the same which is tire maintenance. The new approach still new some time to tell if it is success or not but at a several years of implement, the result is measureable and has a good feedback from both partners and customers.

Exhibit 25 Business strategical move of Buriram Saengjaroenkarnyang



Section 7. CASE 7: YINGCHAREON CONSTRUCTION

4.7.1. Background of company

Yingchareon Construction is a Medium construction SME in Southeast part of Thailand. Current CEO, Nuttagrit Chikityinghareon (29), joined the company after his father deceased. The company focus is infrastructural construction project led by government.

Main focus of this family firm is infrastructure projects, when there is project opens for auction, auction team will begin the auction process if the project is won, construction team then takes charge to build the project. The firm takes in charge of 10-20 small to large size projects annually.

The firm revenue is slightly increase after Nuttagrit succeeded. Annual revenue is now 37 million USD from 20 million USD (1.3 billion THB from 1.0 billion THB) before the succession period.

4.7.2. Situation of company before succession

The situation of this firm is extremely owner centric. Former CEO built up his own firm from zero so he had very emotion tied to this firm. Nuttagrit describe his father's routine of work as one-man owner. From the beginning of the project, auction, project calculation, supervision to site visiting. This typical entrepreneur style management is left unchanged even the size of the family firm grown. Everything will be depended on former CEO decision and must needed his approval. Employees also got used to this style of management which is the problems when the candidate taking in charged.

Outside of company, there are a few treat because of the size of the firm and the limitation of this type of business. Previous CEO main focus was shifted from growing the company to be serving the local society by providing job and CSR activities. Main issues can be summarized as follows;

1. One-man control style of management. Everything rely on founder's decision.
2. Confusing responsibility within organization because of no clear structure.

3. Relying too much on owner makes the system depends on owner himself.
Employee cannot make a decision so efficiency level is very low.

4.7.3. Strategic planning analysis

Since the sudden loss of central figure, former CEO, made everything lose the control at first. The flow of job was struggle and employees seek out to successor looking for the same controlship as previous owner did. The main issue is that Nuttagrit cannot deliver the same charisma which he realized that the first thing to change is the flow of work itself.

1. First priority is to hold the company and try to bring it back to the same situation as before the incident. With helps of family members this issue is now solved.
2. Reorganize the structure to make company more sustainable and rely less on CEO or upper level of managers.
3. Assign the work to team based project and separate the pre-construction work to more clear system.

Five forces analysis of Buriram sand mining can be analyzed as follow:

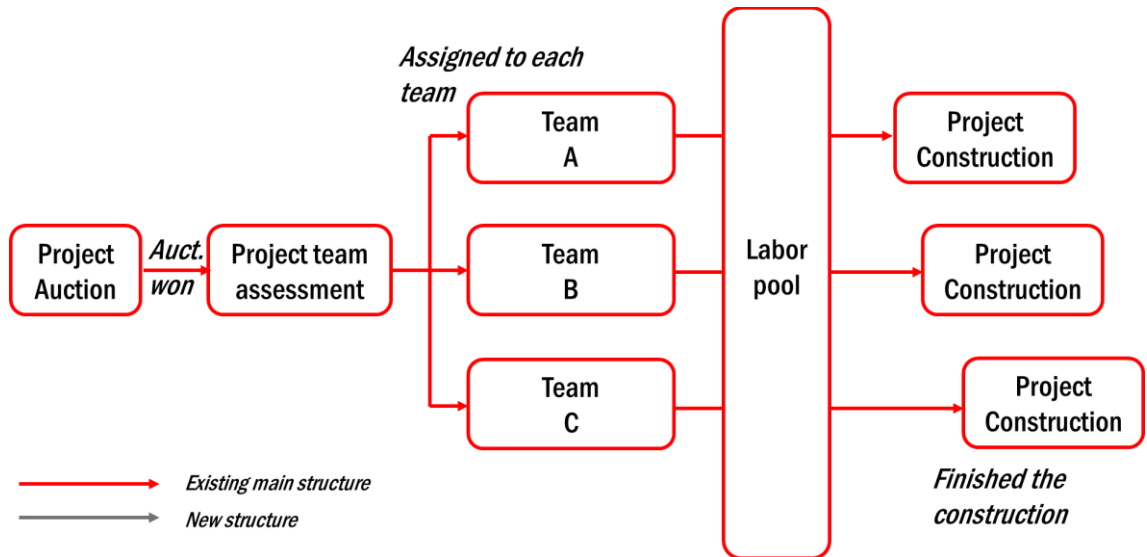
1. Competition: Low. Competition is low because of there is few players in the industry as well as the same scale players are not many in the first place.
2. Entrant: Hard to enter the big infrastructure construction business because of large amount of investment and needed close relationship with government.
3. Supplier: Suppliers has less power because of the scale of purchase each project is large so the firm can negotiate until some level.
4. Customer: No clear customer because of government based jobs.
5. Substitute: The risk of substitute is low because of the important of infrastructure development in Thailand.

4.7.4. Model analysis

Yingchareon Construction use large scale team-based model to develop each project. The system begins as auction team won the government jobs then transfer to purchasing and project

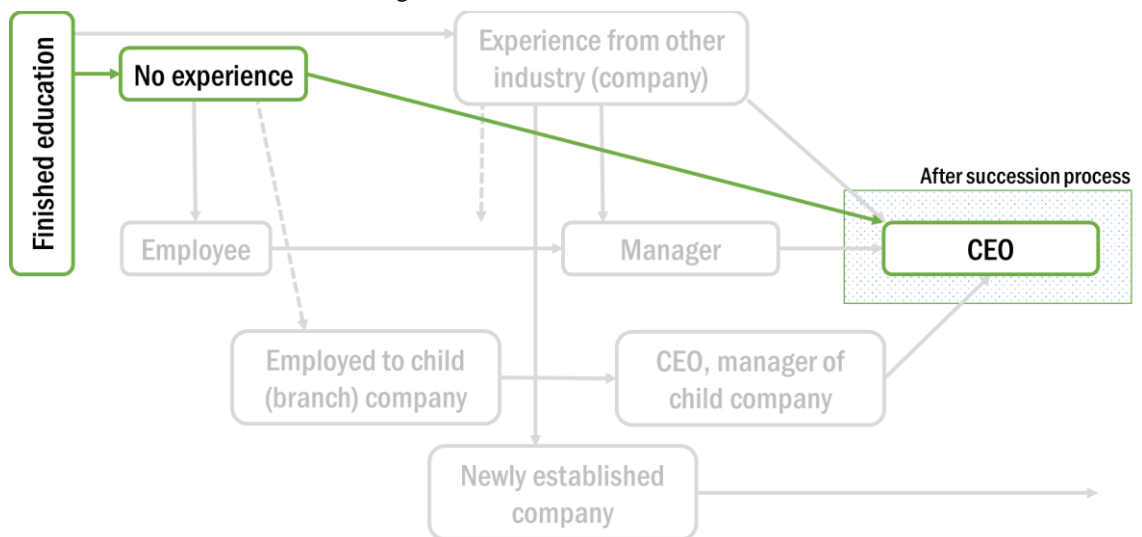
manager to form a team. Each team runs simultaneously because each project last can last more than several years until completion. The frame of model lefts unchanged from previous generation because Nuttagrit want to focus more on organization reform than reinvent the business model.

Exhibit 26 Business model of Yingchareon Construction



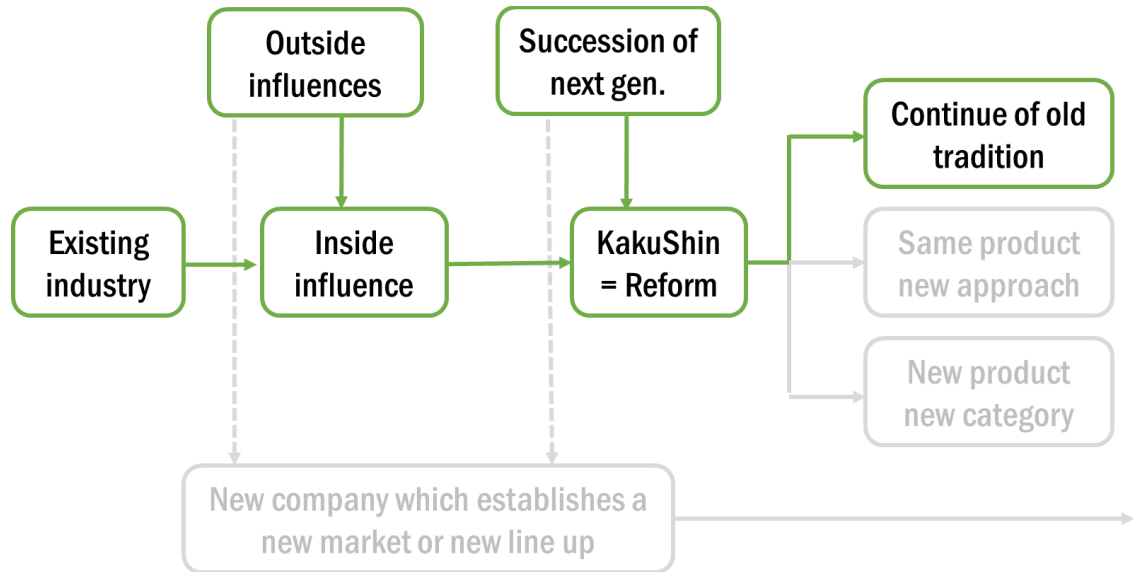
The succession model of this family business is exception because of the sudden incident of previous generation’s decease. Current CEO as a best candidate was forced to take the control of the business as soon as he joined the company. Because of his characteristic which is contradicted to the previous CEO, employees pose a high doubt and concern of the direction of the company.

Exhibit 27 Succession model of Yingchareon Construction



In the strategical move model, Yingchareon Construction does not significantly change any of the model because of current CEO want to focus on making the company more systematic and sustainable. He aims to finish the reformation within his generation so he can leave the business reinvent to his successor.

Exhibit 28 Business strategical move of Yingchareon Construction



Section 8. CASE 8: REANTHONG

4.8.1. Background of company

Reanthong is a small local retailing store in Southeast part of Thailand. The store sells various consumable products directly to end customers. Pichit Ratthanataworn (32) become the current CEO of this store after his father resignation. The company consist of 18 employees.

The business model of this small family store is simple as it is a typical consumable product trading. Since there is no branch or sub business, main focus of the firm is to capture the relationship with every customer to make them become a regular.

The firm revenue is increase after Pichit succeeded. Annual revenue is now 0.13 million USD from 0.08 million USD (3 million THB from 5 million THB) before the succession period.

4.8.2. Situation of company before succession

The typical consumable store is famous in the past because of needs of customers in the local area which there was no modern trade in that time. The strategy was to stay closely to every customer, previous owner of the firm put more afford on customer relationship than marketing or product selection.

The situation changes gradually because of invasion of modern trading big store than join in the competition. This kind of situation is very similar in every part of Thailand, or it is around the world. The disadvantages of the small store are price, product selection and reputation. However, former owner of the store leverages the advantage of smaller size which is to be able to stay close to customer needs and relationship. Example of the strategy is to send out seasonal gifts to selected loyal customers without the charge or membership. However, the firm still needs to find the way to survive with in the rush of bigger modern trading store competition in at local.

4.8.3. Strategic planning analysis

After he succeeded the ownership, Pichi focuses on put everything into the computerized system. He still retains the same customer relation from his father to differentiate himself from the

competitors.

1. Computerized the management, from stock management to accounting. Using this system as a base resource for future expansion.
2. Bring in the security measurement to reduce loss by thievery.
3. Restructuring organization. Separate each department to make it clearer to specific tasks as well as talent training for future new branches.
4. Retain the customer seasonal gifts and rewards for loyal customers.

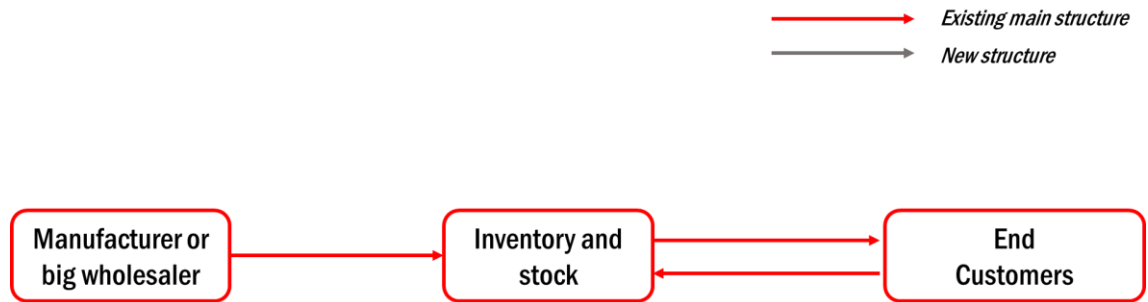
Five forces analysis of Buriram sand mining can be analyzed as follow:

1. Competition: High. The market of consumable store is very high. There is more stores every corner in the area while still need to fight
2. Entrant: Very easy to enter the market in term of investment but since it is already overly competitive market, surviving rate for new entrant is low.
3. Supplier: Suppliers has some effects on the firm in term of price adjustment and stocking.
4. Customer: Customers do have many choices to choose for their shopping. The shift of generation changes also affected the customer base. Because current generation of customer tends to visit bigger brand name store more than local one.
5. Substitute: substitute can be in the form of e-commerce and brand name trading store. The risk is very high and much higher in the next few years when technology changed.

4.8.4. Model analysis

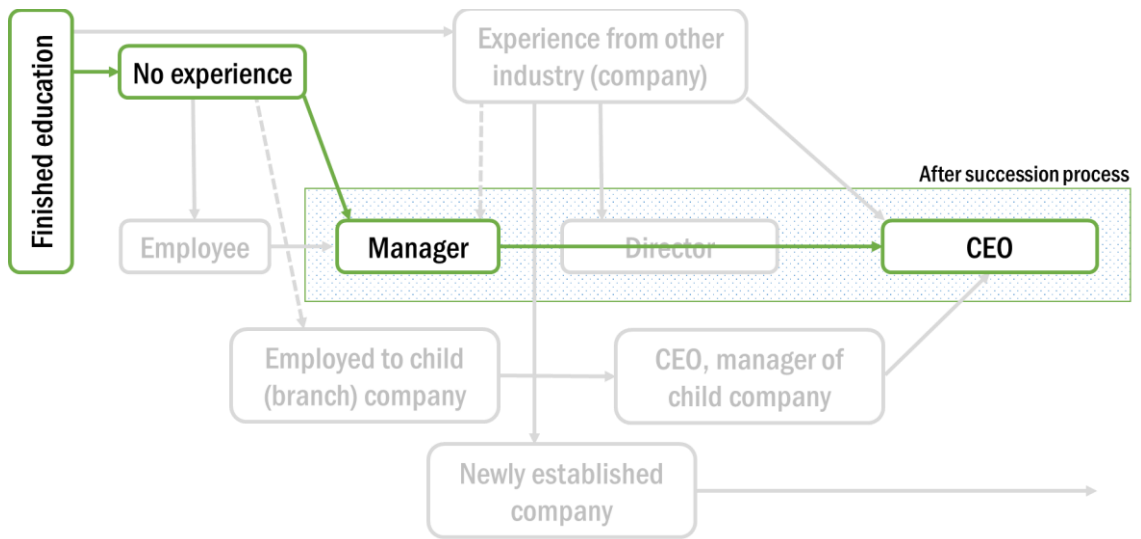
The business model of Reanthong is very simple as it is a typical consumable store. Begins with buying from manufacturer or wholesale store, stock in their inventory a wait to be sold.

Exhibit 29 Business model of Reanthonng



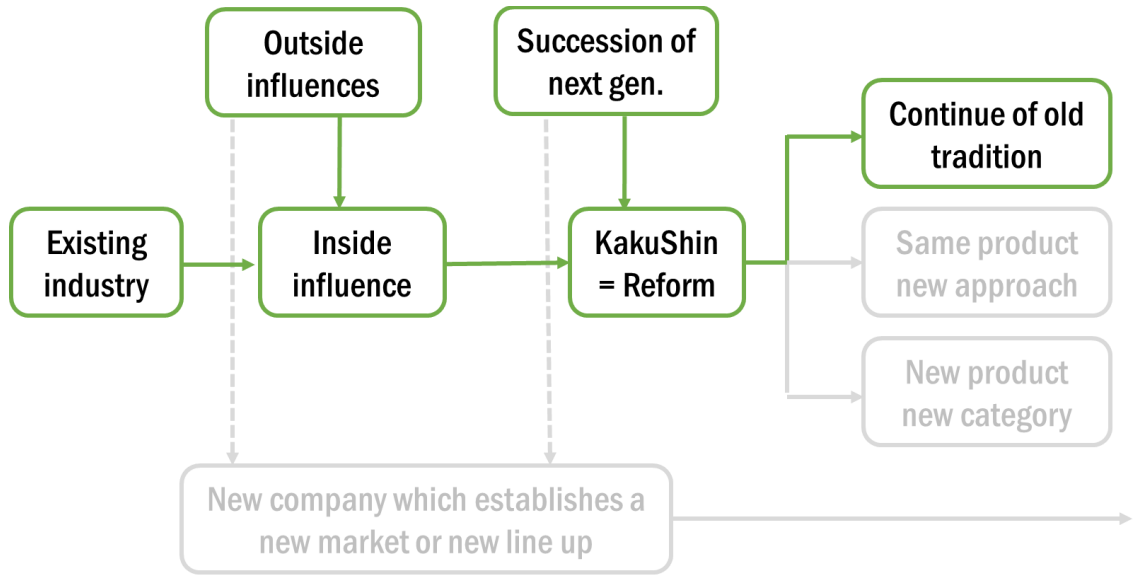
The succession model is also basic move from the typical pop and mom store. The main reason is the size of family firm and the close relationship with existing employees ensure the smooth transition of this process.

Exhibit 30 Succession model of Reanthonng



Rather than business model reform or new service invention, Pichi chooses to focus on systemize the company and find the way to expand the customer based in the future while retain close relationship with existing customers. This strategy still works well because of the long existence of the company, however as the customers gradually change, he wants to grow big enough to gain enough reputation before being swallow by the modern brick and mortar store.

Exhibit 31 Business strategical move of Reanthonng



Section 9. CASE 9: KIM NGUAN FURNITURE 2004

4.9.1. Background of company

Kim Nguan Furniture 2004 (will be referred as Kim Nguan) is a medium size furniture manufacturing family firm. Chayanit Chueram (34), the current CEO, takes control of the company after she succeeded her father in 2004.

Their previous business model is to manufacture wooden furniture for individual end customer. Ranging from bedroom such as bed, shelf, closet to kitchen such as top bar, shelf, dining table. Manufacturing then wholesale to furniture retailers or sale directly to some end customers is the core business of Kin Nguan. However, the recent move done by new CEO is to make a complete interior design set and sale as a package to end customer.

The firm revenue is significantly increase after Chayanit's succession. Annual revenue is now 5.0 million USD from 1.3 million USD (180 million THB from 50 million THB) before the succession period.

4.9.2. Situation of company before succession

The situation of Kim Nguan was in the process of growing the company. Founder of this family firm, current CEO's father, began the firm as a sole manufacturer in the almost hundred kilometers from the factory. This advantage makes Kim Nguan grows exceptionally fast during its beginning years. The founder of firm wanted to focus on delivering to large number of retailer as possible. The strategy was to produce in the large quantity while minimize the design of products. This strategy helped reduce the cost so company can gain more income by focus on wholesale.

However, in the late years of his era, the firm reached the capacity of retailing that can be serve while economic situation makes customer to spend less on buying new furniture. As well as the bigger scale of production requires more systematic manufacturing technique and machine. From the analysis main issues can be summarized as follows;

1. Decreasing in demands from end users affected the sales of retailing store.

2. The manufacturing system is not efficient and lack of standardization make the firm hard to expand more than local scale.
3. Competition on pricing is not sustainable to hold the competitiveness against bigger nationwide players.

4.9.3. Strategic planning analysis

After Chayanit succeeded the company, the main focus of her strategy are to standardize the manufacturing process as well as monitoring control, and to find the new customer base or sales method based on the same products.

1. First priority is to take in the computerized and standard manufacturing system. This approach will help open to the new opportunity in further market such as nationwide or international level. ISO or Thai Industry standard is the goal of this change.
2. Build up the new approach to directly sell to end customer. By offering interior design set in the value price. Kim Nguan also helps customer arrange or adjust to mix and match to their style. Main channel to communicate with customers in this strategy is SNS or electronics form. Physical contact still be via retailer stores.
3. Increase range of reach to further retailing store. The firm tries to gain reputation in the new area by helps of existing furniture retailers.

Five forces analysis of Kim Nguan Furniture 2004 can be analyzed as follow:

1. Competition: Medium. Kim Nguan is a dominant player in the home area but outside of the base, there are far more competitors as well as foreign or nationwide players who may join in anytime.
2. Entrant: Small scale entrepreneur can easily step in to the industry because building up wooden furniture does not require large amount of investment.
3. Supplier: Main supplier is wood and other small parts used to construct the furniture. Kim Nguan acquire the right to purchase wood directly from

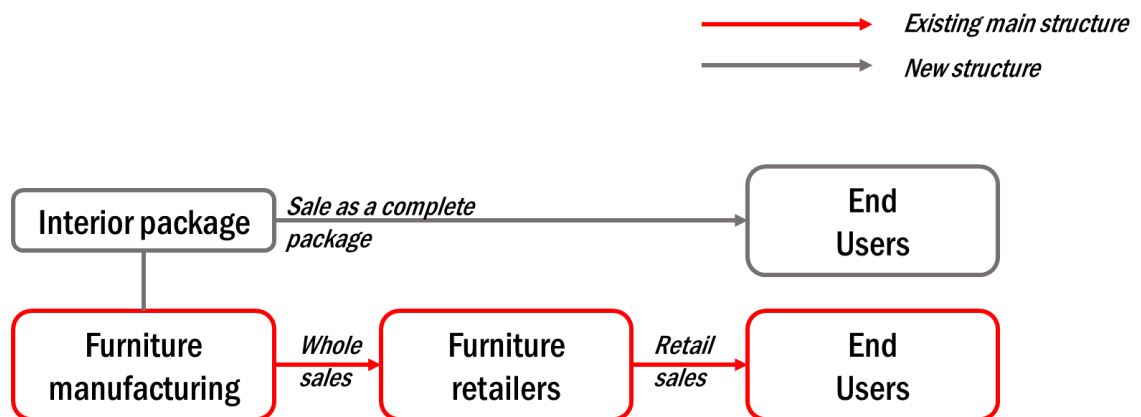
contacted sawmill.

4. Customer: Customers usually left to have less choice in the home area of family firm because of lack of competition. Only factor is competition among retailers.
5. Substitute: Metal, plastic and other kind of material are the main issues that affect the sales of wooden furniture. There is more and more chance that the new cheaper, better material may be introduced to the market.

4.9.4. Model analysis

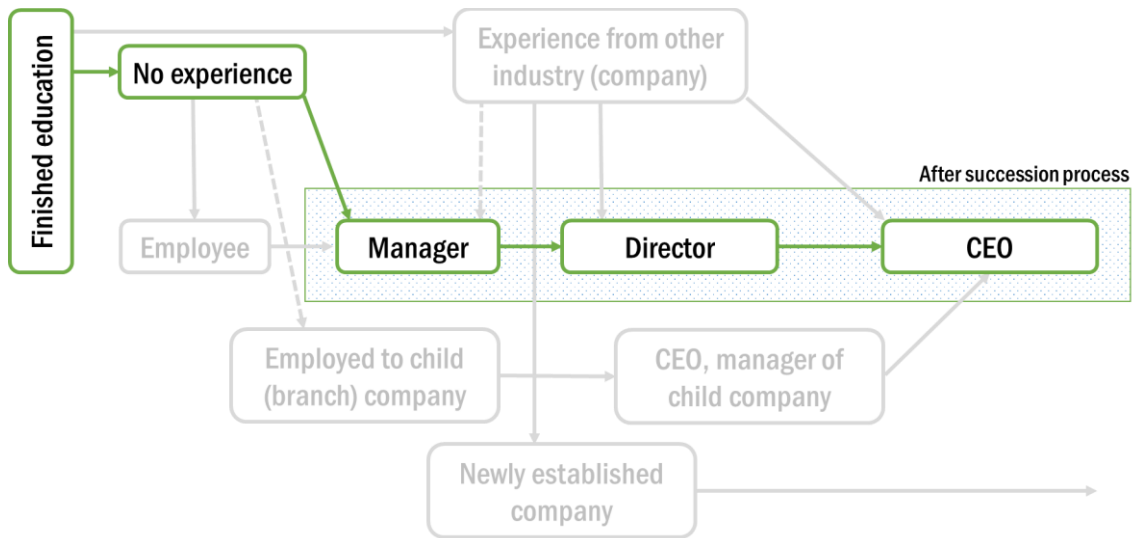
Kim Nguan Furniture 2004 was a typical furniture manufacturer but when Chayanit changed the approach to offer interior design package to customer as well as sell furniture via brick and mortar store. The company now reaches more customers base as the same time as offers more variation of services.

Exhibit 32 Business model of Kim Nguan Furniture 2004



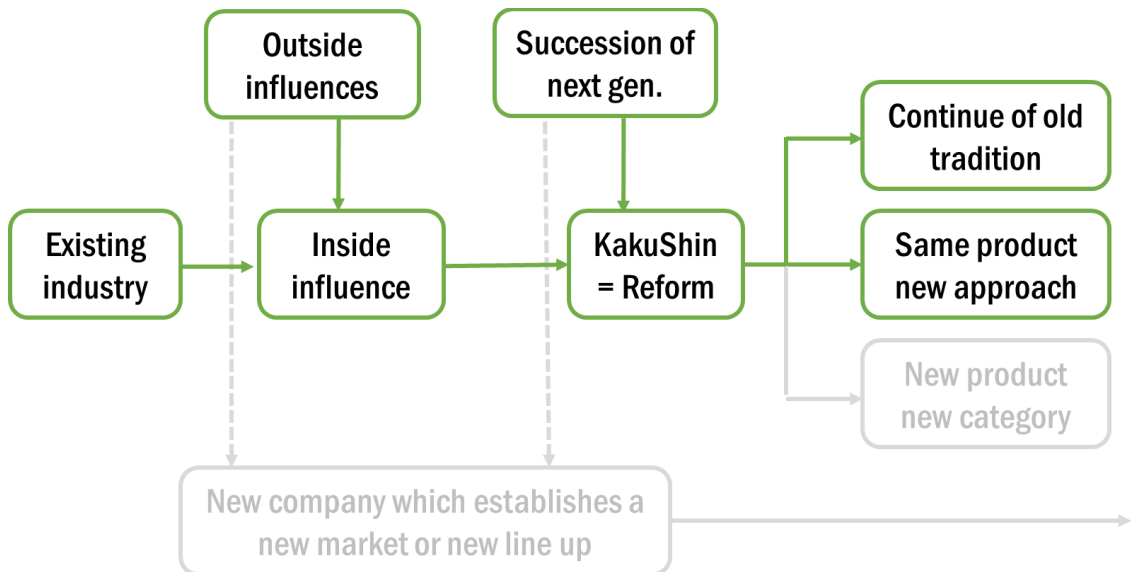
Because of the scale of Kim Nguan Furniture 2004 compare to other cases, the process took longer for candidate to fully succeed the business. Candidate needs to gain enough experience in different departments as well as recognition from employees and partner stores. However, typical to family business, candidate received more privilege than other employees because of status of family member. The flow of succession is a simple straight line.

Exhibit 33 Succession model of Kim Nguan Furniture 2004



Change in strategy to provide more reach to customers makes the business reform model differ to just staying in the traditional approach. The benefit of this strategy helps company gain more revenue source as well as more customer base and less relying on the retailing stores.

Exhibit 34 Business strategical move of Kim Nguan Furniture 2004



Section 10. CASE 10: SOMBOON SOOK

4.10.1. Background of company

Somboon Sook is an infrastructure project construction medium size family company in the Southeast part of Thailand. Thanon Jiarapan (34) succeeded the business in 2007. The company consists of 300 employees in total.

The main focuses of Somboon Sook are government auction project while there is some large private project such as tooling and machine factory which required technical construction. The process is similar to previous case of Yingchareon Construction in which auction team won the project, planning the cost labor and construction equipment, build up the project. Most of infrastructure projects are country road repairing or building.

The firm revenue is slightly increase after Thanon succeeded. Annual revenue is now 28 million USD from 22 million USD (1 billion THB from 800 million THB) before the succession period.

4.10.2. Situation of company before succession

Somboon Sook has been experience a stable situation from the conception of this family firm. Because of the nature of this industry, the competition is limited to several players within the same scale. In contrast to Yingchareon Construction, Somboon Sook did not have any unfortunate incident. The firm grow naturally by the adaption of market, improvement of process and management. However, there are some concerns by Thanon's father, previous CEO, in term of sustainability and human resource which may also happen in other same size company in Thailand.

The situation can be summarized as follows;

1. Unmanaged human resource and productivity level of labors.
2. Standardization is required to catch up the competition.
3. Concern in sustainability if strategy is to focus on solely government infrastructure type of projects.

4.10.3. Strategic planning analysis

Thanon succeeded his father in late 2000s. Before the process, he was in charge of newly established department to extend the specialization in build bridges and other transportation related structure. This approach to try to expand the scope of business to cover the total of infrastructure construction in the future. He is trying to increase the revenue ratio of this newly introduced business.

1. Focus on improving the new business division to catch up in scale as the existing business. Shift the focus of the company to be total infrastructure construction.
2. Human resource management and talent finding for the future growth of new business.
3. Standardize the workflow. Be able to track and transparent process. For example, documentation and records of work.

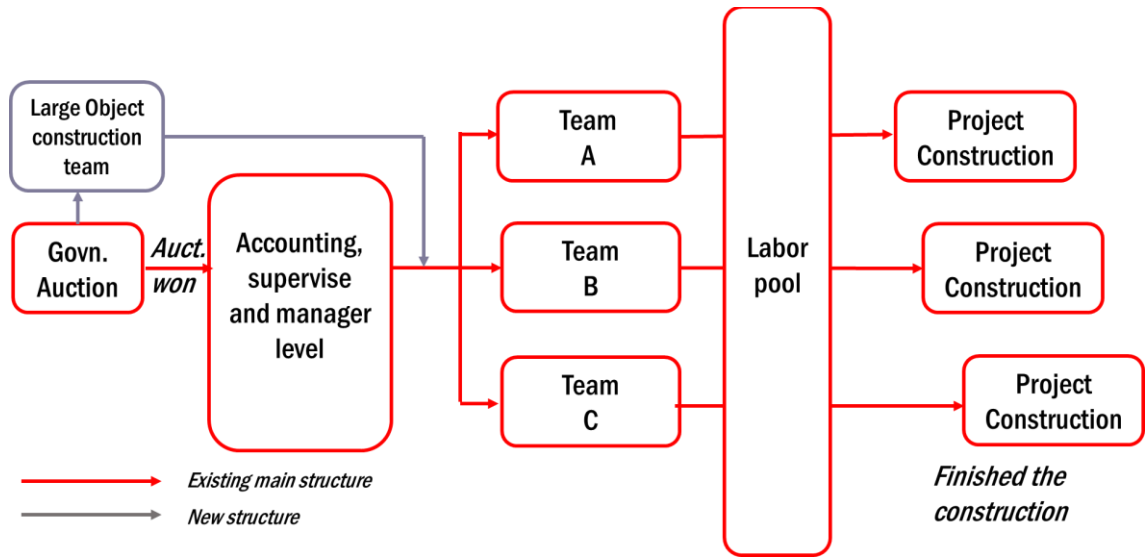
Five forces analysis of Somboon Sook can be analyzed as follow:

1. Competition: Low in number. Competition is low because of there is few players in the industry as well as the same scale players are not many in the first place. However, competitiveness among player is high because of scale of business.
2. Entrant: Hard to enter the big infrastructure construction business because of large amount of investment and needed close relationship with government.
3. Supplier: Suppliers has less power because of the scale of purchase each project is large so the firm can negotiate until some level.
4. Customer: No clear customer because of government based jobs.
5. Substitute: The risk of substitute is low because of the important of infrastructure development in Thailand.

4.10.4. Model analysis

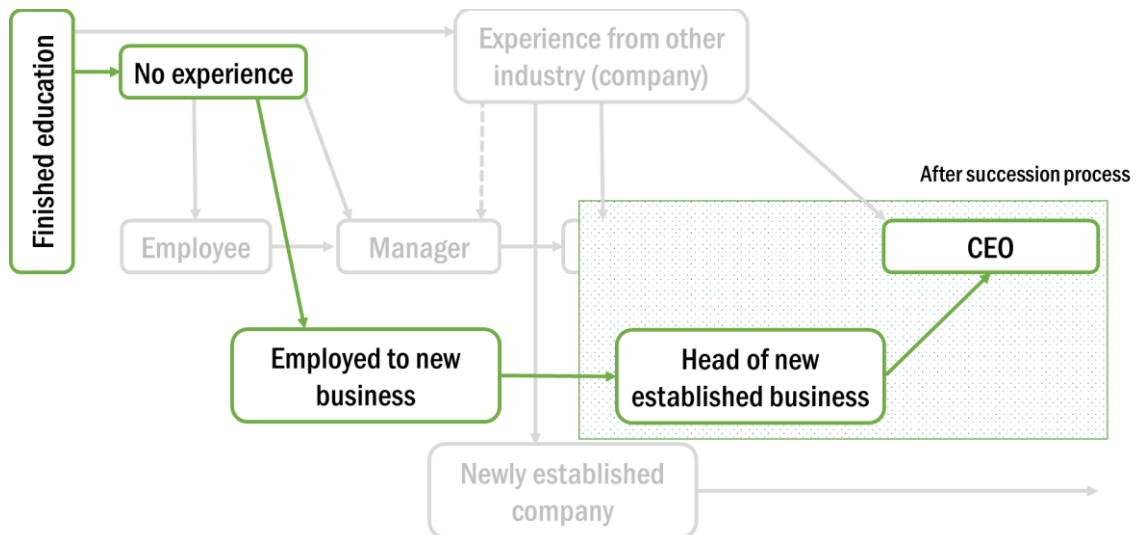
Somboon Sook's business model is similar to Yingchareon Construction but in this case, they are more organized and has a rigid organization structure.

Exhibit 35 Business model of Somboon Sook



Succession process in this case is unique in term of the method on how candidate learn the company and gain experience in newly established business. In the result, candidate tries to put more afford to make the new business more relevant in revenue generation. When the succession begins, he left the new business to younger family member to take in charge.

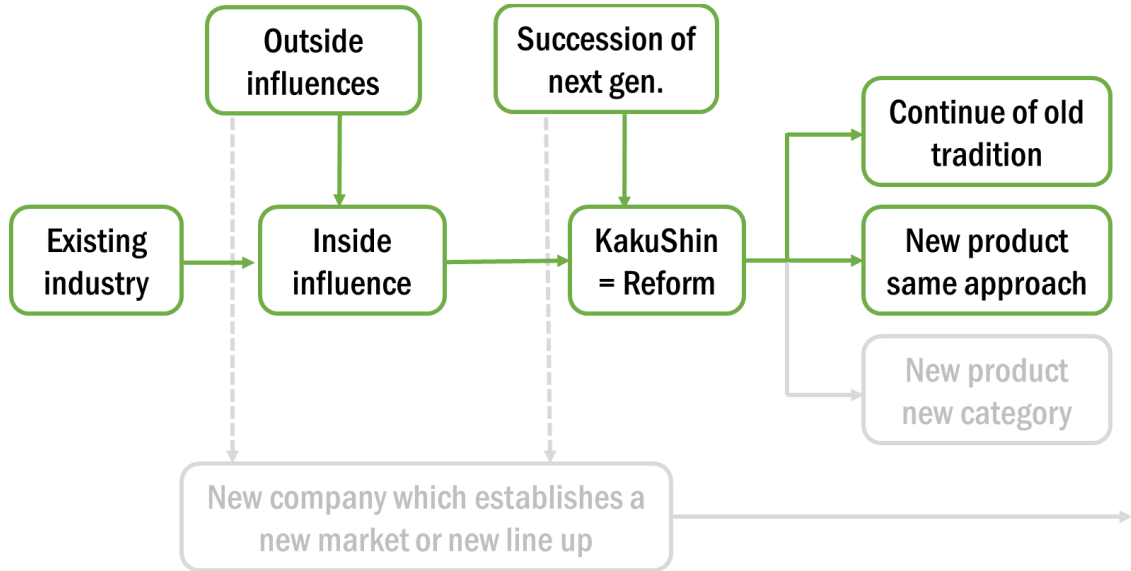
Exhibit 36 Succession model of Somboon Sook



Somboon Sook strategy of reform is to expand the scope of business. From civil road contracture to total transportation. The move is logical in the sense that they can leverage the same base knowledge and as well as strengthen the existence of the company. The move can be considered

to keep the old tradition while trying to reach the new service in the same industry.

Exhibit 37 Business strategical move of Somboon Sook



Section 11. CASE 11: CHAKRAWAN BURIRAM

4.11.1. Background of company

Chakrawan Buriram is a water-related infrastructure construction medium size company. Thitiwat Thummawitmatee (35) revamping the business from ground up after he succeeded his mother position in 2006. The company is still in the growing phase and has roughly 100 employees.

Main source of project are government auction and large organization based project such as industrial park. The model is different from previous 2 cases. Company utilize modern technology and work process from the inception of the company, that make this family firm pass through standardization phase more quickly

The firm revenue is incomparable before and after the succession. Annual revenue is now 11 million USD from 1.3 million USD (400 million THB from 50 million THB).

4.11.2. Situation of company before succession

At the conception of the family business, parents of Thitiwat found the small rice mill factory which had only 5 employees. The situation was very stable with less to nearly zero in grow. There is a fierce competition in the market and while the financial crisis also put family firm in the critical situation. In addition, the rice mill industry had been faced a small ups and downs in the last few decades. Various factors force Thitiwat's mother to finding the solution to helps her family business survive. The situation can be summarized as follows;

1. Typical small pop and mom management business. There is no system or goal as the main priority is to deal with daily issues.
2. The hard situation and no opportunity in the future rice mill market in Thailand.
3. Conflict in interest of relatives, family members because of there was no proper management system.

4.11.3. Strategic planning analysis

The previous situation makes Thitiwat to steps in and rethink the whole business from

ground up. He found that there is still opportunity in water management and construction industry because of there was no direct player in that time. To jump in the business, he put a large resource in gaining knowledge, reputation and contact with government.

The advantage of rebuilding the organization from ground up is that he can design the company to be as close as ideal plan.

1. Complete reorganization, include the systematic structure and workflow such as documentation, accounting, after work evaluation process.
2. Talent training and scouting from other companies to support the new business as soon as possible. Because Chakrawan Buriram needs to grow as fast as possible in the initial process to be able to serve standard and capacity of project
3. Indicate the clear company vision in the future. Let employees acknowledge and get feedback from them. This helps strengthen the bond within new organization faster while reduce the distant between management and employee.
4. Bring in helps from professional in finance and strategic planning. This is one of important step that helps fasten the grow up steps while sharpen the business.
5. Won Nationwide SME competition on 2 consecutive years.

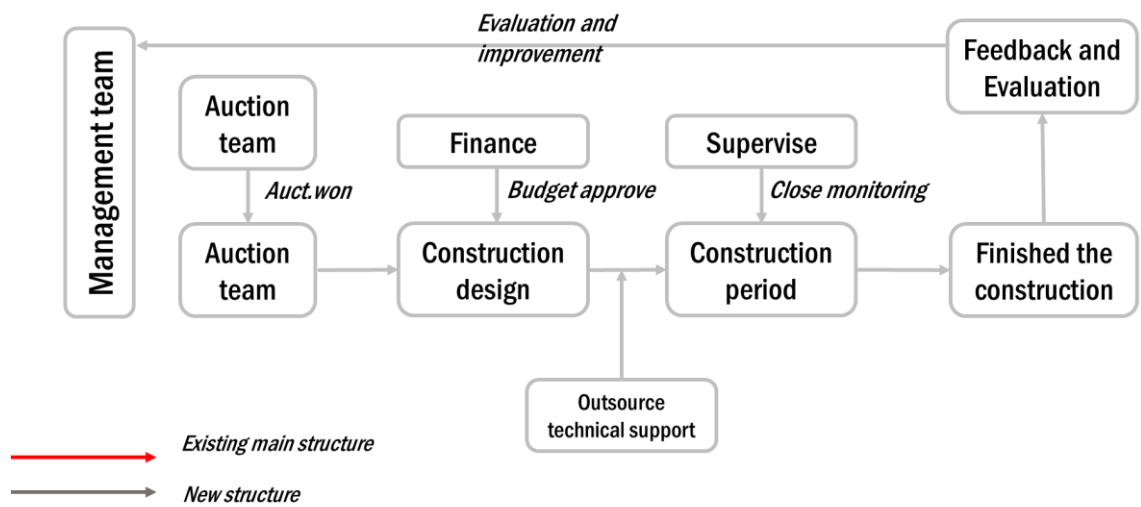
Five forces analysis of Chakrawan Buriram can be analyzed as follow:

1. Competition: Low in number. Because there is still a few specialize player in water infrastructure industry in Thailand.
2. Entrant: Require big resource and knowledge to be able to compete existing players. However, there are high chance that foreign players will step in.
3. Supplier: Suppliers has less power because of the scale of purchase each project is large so the firm can negotiate until some level.
4. Customer: No clear customer because of government based jobs.
5. Substitute: The risk of substitute is low because of the important of infrastructure development in Thailand.

4.11.4. Model analysis

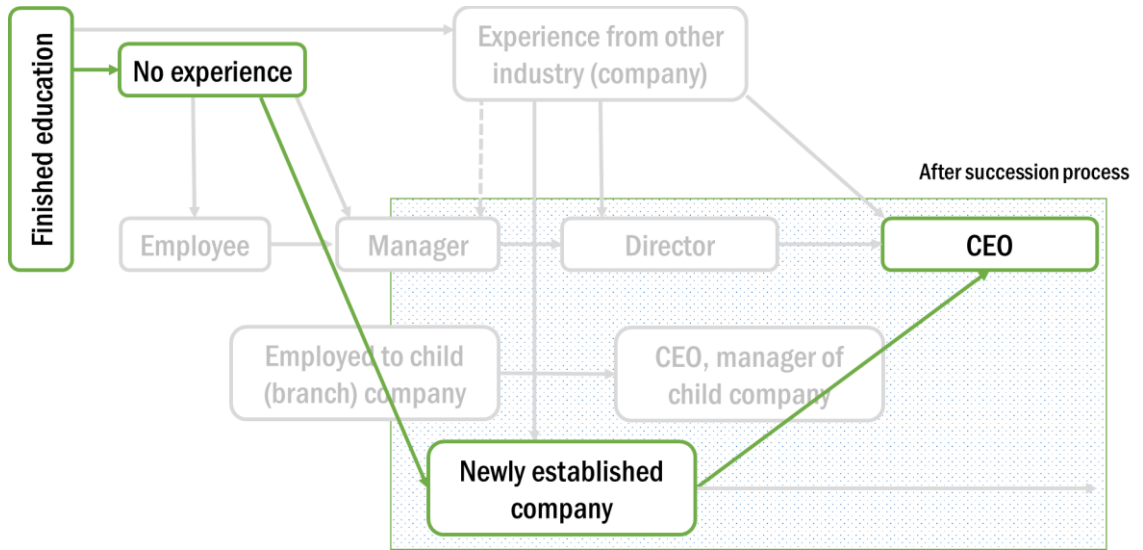
Chakrawan Buriram has a very clear and refine systematic organization when compare to other cases. One of the reason because it is a new established company so Thitiwat can design the best system just in the initial stage. The model is similar to other 2 construction cases but also has evaluation and self-assessment integrated to the work flow. In addition, Thitiwat makes the system that it can be able to runs by itself even he is not present in the meeting room.

Exhibit 38 Business model of Chakrawan Buriram



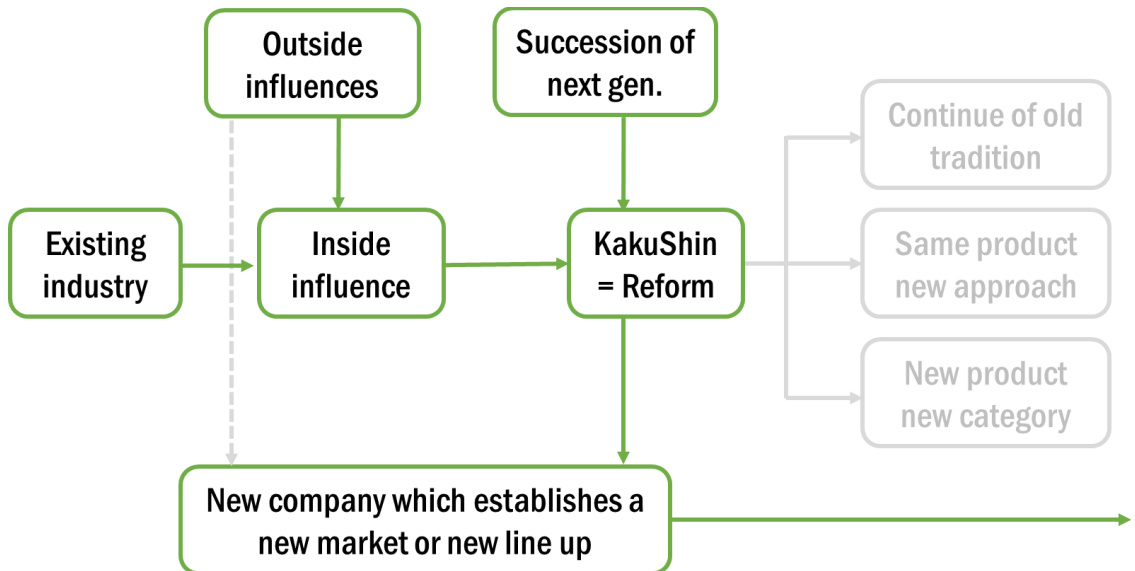
Thitiwat stepped in the succession process and change the family business completely. The process is supervised by the former CEO, his mother. During the change, there are a large resistance from family members because of the complete change in the company. However, by support of his mother, Thitiwat successfully move the change and complete the reorganization. This case is exceptional to other cases in sense of there is no direct succession to the family company because of in the result, Thitiwat sold his old family business and make the new business his current family firm.

Exhibit 39 Succession model of Chakrawan Buriram



The strategical move of Chakrawan Buriram can be easily explained such build up the new organization from zero. The move is very unique and exceptional in family business case because it requires to change the new products, services, resource of existing family firm. The catalyst of change was come from succession process and the candidate himself. To become success is the change, candidate requires support from family member and heavily investment in the new market.

Exhibit 40 Business strategical move of Chakrawan Buriram



The future vision of Chakrawan Buriram is to be able to expand to larger scale and be able to sustain within its system. In the family relationship side, Thitiwat states that he wants to make it clear to balance the family privilege with normal employees.



CHAPTER 5. CONCLUSION AND DISCUSSION

After literature review, reference model research and cases study, the result of the research can be concluded by combining these factors. The final finding of this research is to find the base model for future study. The model might come in different situation and outcome to serve each application. The first tasks of this conclusion is to analyze and categorize all cases study model. Then when the categorization is completed, explanation and adaption will be followed. To serve another objective of this research, which is to find the model that will suit researcher's own family business, researcher will apply the finding to own family firm. This process will give a better view of application of this research.

The result of cases study can be divided into different paths, which may lead to different outcome. Both finding of two study models can be categorized and explained in the following sub section.

Section 1. SUCCESSION MODEL CONCLUSION

There are 2 main paths that can extract from the finding. The first one, candidate joins the company right after he/she finished education and then climb up the power in organization, finally successfully succeed the throne. Second path is candidate has experience in another company then later join the company, in this case, the candidate spends less time in succession process.

To draw out an explanations and consequences of each model, researcher chooses to underlay the finding with the Factors of Survival (ward, 1997) theory to assess the conclusion with emphasize on Family factor to discuss the importance and influence of family member. Conclusion from literature review and JASME survey (2009) are also used to support the findings as well.

Factors of Survival with underlay includes 5 factors as following explanation:

1. Ownership – how the candidate holds the sense of ownership and control power and the use of ownership to control organization.
2. Reformation – how the candidate plan and perform the organization

restructuring process and the effect of reforming in both models

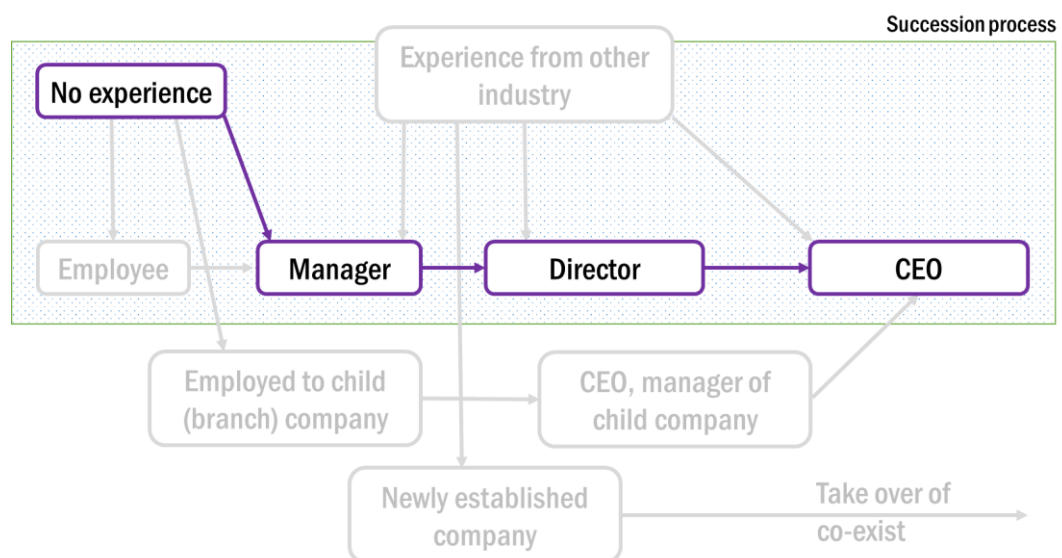
3. Relationship – how the succession process influent employees and/or local community member
4. Family harmony – how the succession process influent the relationship with family member
5. Business – how candidate perform business strategic planning

5.1.1. Model 1: Candidate starts without experience

Most of interviewees were directly join the company as soon as they finished upper level of education. Most of candidate, from interview result, predetermined their decision to succeed the business as soon as they finished upper education. This can be implied as a typical succession step in Thailand and Asia. (Arun, 2010)

Most of candidates will have privilege to an important position within organization. As soon as they joined the company, they are assigned are tasked as manager level. Previous generation will be a coach or direct commanding to candidate.

Exhibit 41 Conclusion of Succession model: Candidate starts without experience



From the result of literature review and interview process, candidate has to spend some

period in the company, as he/she needs to gain experience and knowledge especially if the education and business field is not relevant. The period of learning depends of size of the company, in this research, which included varies size of family firms, the period takes average of 3 years to 5 years.

In this model, succession process goes as a straight line in which candidate usually join as a lowest manager position and then climb up the controlling power. In many cases of interview, size of company affects the complexity of organization structure and criteria of succession process for candidate. The some of the cases of simple organization structure, candidate joins as upper manager level.

This model can be analyzed by utilizing the Factor of survival as followed:

1. Ownership

- a. Limited control power at first period because candidate starts from zero or lower position in organization but gradually gain as candidate accumulates the experience and reputation. The situation and time varies, depends on size and environment of family firm.
- b. High influence from previous generation. From literature review and interview cases study, candidates tend to follow the previous owner's strategy on product and management.
- c. Candidate has an advantage of being family member over other employees. In the cases of interview, most candidates have access to further and higher resource than other same level positions.

2. Reformation

- a. From the cases study, the process of reformation is depending on the size of organization but most of interviews, the structure gradually change is slowly change and still received high influences from previous generation.
- b. Reformation framework is limited or highly included the former owner's influences. Most of candidates in the interview study use basic

organization functional framework combined with the direction of old structure to perform reformation process.

3. Relationship

- a. Relationship with employee is easy to handle and receive low impact because depends on time and how much previous generation influenced. In most of the cases, employee easily accept the candidate after the process is done.
- b. Candidate spends more time on building long-term relationship with member of organization.
- c. Candidate put more resource on training and improvement of existing employee rather than re-organize the human resource.

4. Family harmony

- a. There are more chances to involve in conflict of interest if there are more than one candidate. In some cases, that if succession not yet determined to any specific person, starting from zero would affect other family member's existent in the company and rise as a potential risk to them. There must be a clear policy or intention to how the process conduct to prevent potential conflict.
- b. In contrast, in the case of predetermined succession process. Candidate and family members have higher chance of collaboration and co-ordination among members.

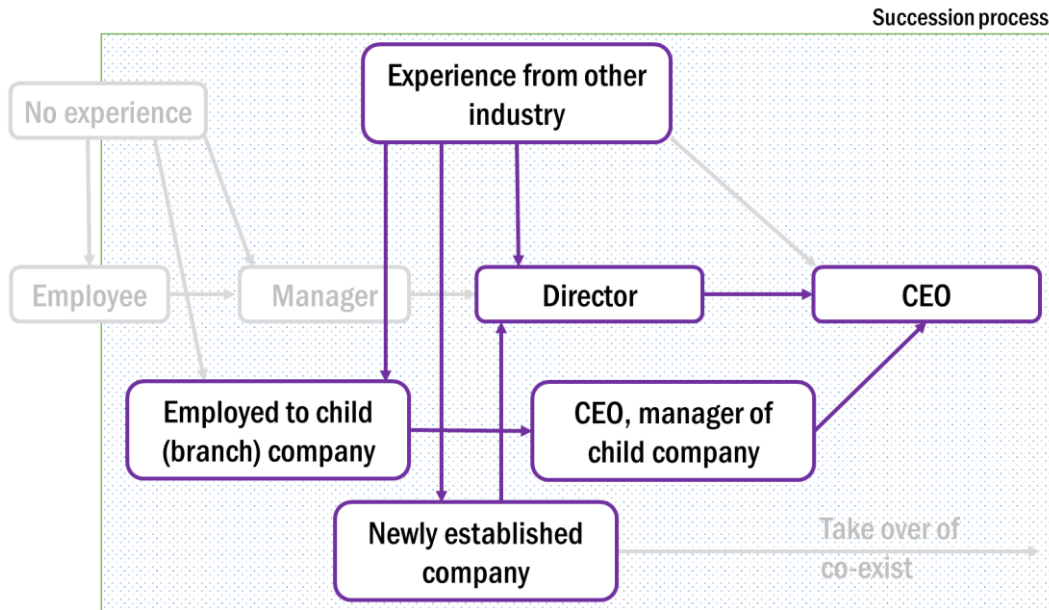
5. Business

- a. Candidate is most likely to continue strategy on products or services planning. The influence of previous generation is the main reason that leads this situation.
- b. Need long period to implement the model because of adjustment and resistant

5.1.2. Model 2: Candidate starts with experience

In this model, candidate already gained the experience from other industry, in the case interview, only few cases that fit in this model. Depend on situation, the cause that leads candidate to join the organization is varies.

Exhibit 42 Conclusion of Succession model: Candidate starts with experience



In this model, succession process is more complex and depends on candidate's family business. The main differences that extracted from study are time of succession process and influences from previous generation. The timeframe tends to be shorter compare to the first model. One of the reason is candidate base experience and knowledge from other industries. Influence from previous generation is lower because of less time spends and due to the base knowledge and experience that candidate gathered from other industries lead to more self-conscious planning.

This model can be analyzed by utilizing the Factor of survival as followed:

1. Ownership
 - a. Higher ownership and control power because of less influences from previous generation. Candidate tends to change the strategy and planning more freely and less constraints.
 - b. Low influence from previous generation. However, in some cases,

candidate chooses to continue the same tradition if there is a requirement to do so.

- c. Candidate has an advantage of being family member over other employees. In the cases of interview, most candidates have access to further and higher resource than other same level positions.

2. Reformation

- a. From the cases study, the process of reformation is depend on the size of organization but most of interviews, the structure gradually change is more rapidly than first model.
- b. Reformation framework is more diverse. Candidate in the interview study uses newly-design organization functional framework with less trances from the old generation.

3. Relationship

- a. Relationship with employee tends to be obstacles for the early succession process. Sudden and aggressive reformation make employee could not able to adjust.
- b. Candidate spends more time on building organization with lower regard on existing member of organization.
- c. Resistance from existing employees or locals can occurs. Candidate can be stimulated as an outsider to the existing employee at the early stage of succession.

4. Family harmony

- a. There are more chances to involve in conflict of interest if the decision to join the company is not an agreement among all members.
- b. Candidate can leverage the low relationship with family members to perform the changes freely. The constraint of handling relationship with family member, employee, partner and owner in this case is lower

compare to the first model.

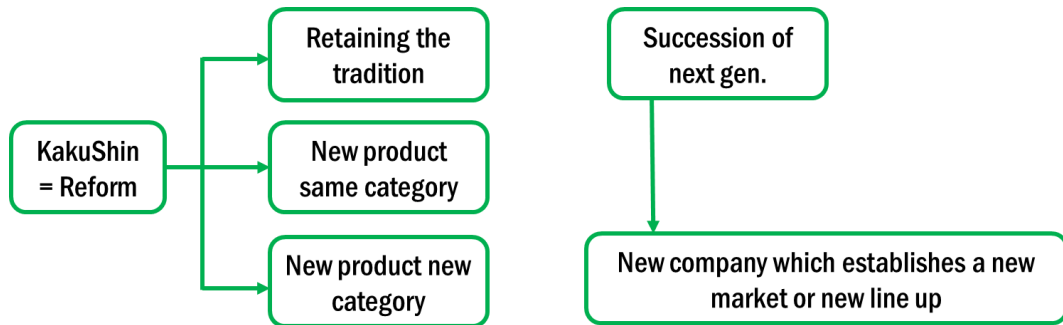
5. Business

- a. Depends on business model, candidate tends to be more freely to change the model which could be referred to the old strategy or not. Since candidate has lower constraint from previous generation in the first place.
- b. Candidate implement new business model in a less constraint manner. However, there is still a variant from types of family business and characteristic of candidate that affects the duration of change.

Section 2. BUSINESS MODEL CONCLUSION

Referring to the study model, there are 3 main paths that resulted from the family business reform strategy after succession process. Each interview represents the different situation, priority and concern of his/her business. The first path is to succeed what previous generation had done. This is called retaining the traditional product or service. The second path is similar with the first but rather than fully use the same business model of previous generation, successor make an adjustment or change in model based on the existing one. The result is likely to be an answer to a market shift, which affected successor's point of view. In the second model, family firm introduces new product or service but within the same expertise or category. The last path is to completely change the direction of family company. This model is unlikely happened in a normal situation. In this interview study, there is only one case of successor who can be fit into this model. Extreme factors and situations, which have influence on successor, are the main reason for successor to complete change the direction of existing family business. The last model initiate the change of company goal, or in the case of interview completely abandoned the old company to establish new firm. It can be referred as introducing new product in the new category.

Exhibit 43 Different conclusion of reformation of family business



To assess and analyze each model conclusion, researcher uses the basic SWOT analysis (Strengths, Weaknesses Opportunities, and Threats) to generate the basic explanation, which will be used in the adaption process.

5.2.1. Retaining the tradition model conclusion

From the study literature and interview research, first model is likely to happen when the situation of candidate's family firm is stable and there is an advantage over other competitors in the market. One of the best example is the case of Veevara group (case 1) which can leverage the regulation to be a persuade monopoly in southeast path of Thailand in gas fuel logistics industry.

SWOT analysis of this model can be analyzed as follow:

1. Strengths

- a. Will be an effective strategy if there is an advantage of first mover or monopoly in the market. For example, highly regulate gas and sand mining industry, continue of tradition while strengthen the business is better than restructuring.
- b. Can use the old knowledge and resource of previous generation.
- c. There is no necessary to planning for the overhaul of business model. Most likely the direction of company will be easier to predict. In addition, employees or other family members can refer to the previous goal.
- d. Most of the cases, less resistance from members because of them

already foresee the direction of family business.

2. Weaknesses

- a. In the opposite of the first strength point, depend on market, if family firm does not have the first mover advantage, the situation can be easily overwhelmed by bigger player.
- b. In recent market situations, there are indirect and direct influences, which make family business to adapt the change of market. Retaining of old tradition may result in the contradiction to this point, thus less survivability in upcoming competition.
- c. This model has higher chance to fix the organization structure and potential to grow in the positive way. Some cases in JASME survey indicate that the family firms need to use old producing method to make the same exact product.

3. Opportunities

- a. In many case, the innovative idea and evolving of traditional product can leads to introduction of the new hit result. By focusing on the same products, mastering and renovation are possible to produce the better outcome that fit in current market.
- b. By focusing in the old product or service, family firm can put more resource in opportunities for new market group such as international or further area.

4. Threats

- a. The small players who have same lineup as bigger players can become a target to multi-brand who can introduce the same product/service to same market.
- b. In some industry, there are high chances to gradually loss interest from customer if there is nothing new to offer. In this case, the threats from

other players will increase.

5.2.2. New product in the same category model conclusion

According to the review and case research, the model is result of family firm who still engaging in the market competition but there is no clear advantage over other competitors. Contrasting to first model, continuation of tradition may lead to more damages and less survivability in the long-run. For instances of Buriram Numchok (case 5) which they change the direction of the company to serve different target group while using the same products and services. The strategy makes family firm able to avoid the competition in the end.

SWOT analysis of this model can be analyzed as follow:

1. Strengths

- a. The firm can utilize existing based knowledge and resource to invest in new potential new line of products or services while may change the situation of the firm. Alternatively, in the same idea, adjust the product or service and shift the target customers to avoid the competition.
- b. Chance to open to a new market which may be able to can use the same channel of old product/service, thus reducing the whole cost and time.
- c. Chance to differentiate the firm from competition.

2. Weaknesses

- a. The firm must put more concentration on development into new product or service. Loss of balancing between old traditional product and new product may lead to critical situation.
- b. New an investment and resource to put into finding the new business model. Especially in the beginning of the strategy because in some situation, firm must balance the investment and keep the tradition running to fund the new line of product.
- c. In the state of change, there are higher risks to loss the competitiveness.

As well as, the

3. Opportunities

- a. Opportunity to invest into the more suitable product or goal of the family firm.
- b. Open for new market group in the same area who may be unable to reach before. By introducing the new line of product and service, this group can become the main target in the future.
- c. Chance to invest into new partnership and strengthen the circle of businesses within local area. The investment in new lineup can force family firm to looking to new associates which then widen the existing local strength.
- d. Opportunity to utilize human resource or assign family member.

4. Threats

- a. There is no guarantee of the result. The firm must find the right direction or the treats of wrong decision-making will lead to the financial crisis.
- b. Chance of the other firms, which may adapt the same strategy, may change the competition into run and chase situation.
- c. There is a chance to miss the hit depend of how relevant the new lineup is. In some cases, chasing the change of the market may put more danger than continue the same product in the fixed period.

5.2.3. New product in the new category model conclusion

While the first two conclusions are based or related to the existing resource from previous generation. The last conclusion model is completely reform and restructure the business model. There is only one case who successor chose the change the direction of family firm. This makeover change is less likely to happen in the typical family business before of strong bond and tradition of the family part suggest the continue the same direction after succession process. According to the interview analysis, the situation of the firm that fit into this model is the most extreme or in crisis. In

the case of Chakrawan Buriram (case 11), there is a main catalyze of candidate to overcome financial crisis of the family firm.

SWOT analysis of this model can be analyzed as follow:

1. Strengths

- a. Shift the focus of the old business to overcome competition. In the situation of being the inferior to other players and experience loss of competition.
- b. There is a chance to revitalize the family company and find new source of revenue by exiting the old business model.

2. Weaknesses

- a. Depends on the situation and strategy, most of the case, the change of business will need high portion of investment compare to continue of the same business in the short run.
- b. Conflict in the family member can happen especially previous generation and new succeeded candidate.

3. Opportunities

- a. Chance to differentiate itself from the competition in existing market or industry. Finding the new market, which may have more potential in long term sustainability.
- b. Opportunity to secure the new source of revenue and supply more stable income to family firm.
- c. The chance to establish more stable organization because of new alignment to fit the new business.

4. Threats

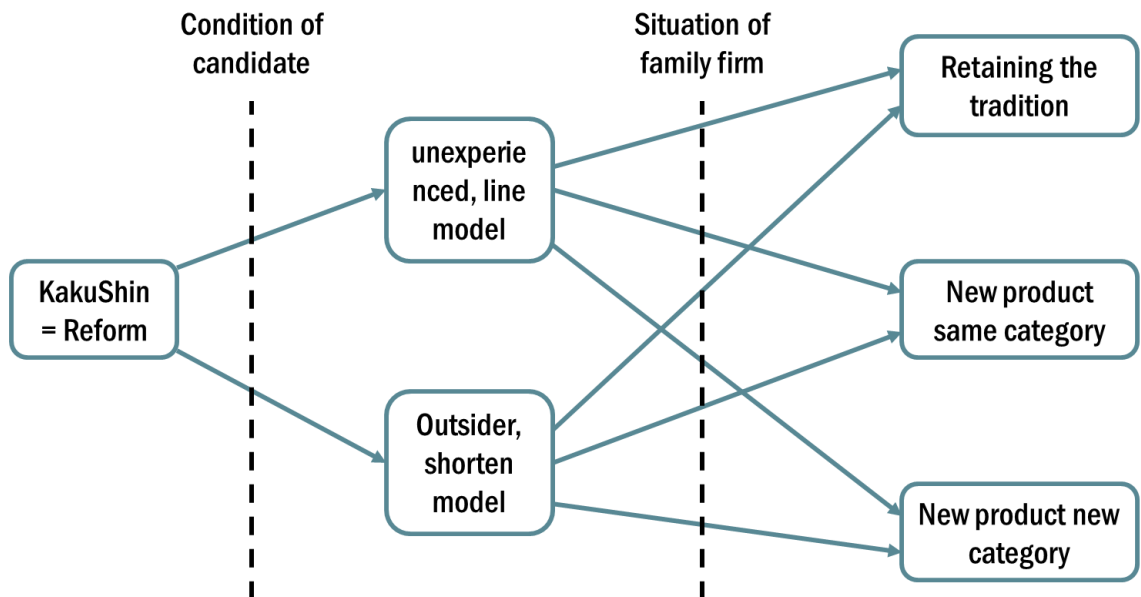
- a. Highest chance to face risk of financial crisis comparing to other two models. Management of financial resource is required to overcome the situation.

- b. Chance of failure depends on the strategy and focus on new business while may or may not continue the tradition
- c. Feedback from existing employee or in some cases-local society. There is the strongest degree of resistant to change comparing to other models. These threats can lead to the crisis of resource shortage of human resource, which may cease the opportunity of family firm.

Section 3. CONCLUSION TO THE STUDY MODEL

From both succession and business model, researcher can now finalize the study model to be for the referent of further family business successor’s consideration. The final model is based on the path in which each candidate may consider to match his/her situation according to the previously discussed conclusion.

Exhibit 44 Model of strategy and succession in family business



Candidate should consider into 2 main condition when planning the strategical move. The first turn is how to proceed the succession. Refer to the main 2 path in this chapter, each candidate then refers to the advantages and disadvantage of 2 models. The second turn is how to frame the direction of business strategical move of his/her family firm. In this part, candidate must consider the

situation of the firm to fit the most appropriate model in the 3 study models.

In addition, the result of interview shows that there are some cases that pursue more than one model in the business strategy model.

CHAPTER 6. ADAPTION OF THE RESEARCH

In the last chapter, author uses the study result to adapt to own family business. Each strategical move of both succession and strategy model can determined by the situation and conditions of candidate and candidate's family firm. In this case researcher's firm.

Before discussing the conclusion and adaption of the model, candidate should study and analyze his/her background and situation to find out the most precise conditions which fit the study model. In this chapter, background of the adaption will be explained first then conclusion will be detailed and discussed.

Section 1. SUCCESSION MODEL ADAPTION

6.1.1. Author's background

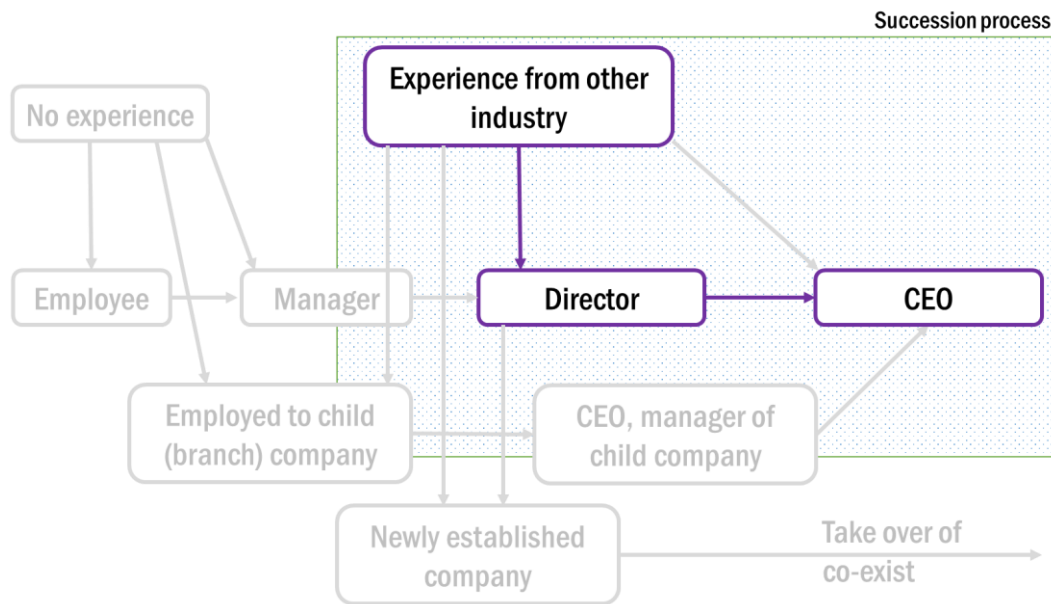
There are 2 main paths of the succession model which are discussed in previous chapter. First, starting from no experience than gradually gain the experience within the organization. Second, starting from outsider, jump into the business and perform the succession process. The first model usually takes more time and resource to train the candidate to fit organization and get used to thinking process of previous owner. While second model rarely relied on the previous generation's methodology and usually takes less time before completing the succession process.

6.1.2. Analysis and adaption

Author has spent more than 3 years in other industry, in addition to higher education compared to the cases interview who fit into the first model. Author should be able to utilize the work experience and base knowledge to step in to the succession process more quickly. By this reason, the second model fits in author's case.

Author choses the second model. In this model, it suggests candidate to gain the controlling power and change the organization to fit the overall plan as soon as possible. In author's case, joining as director (managerial position) or upper position in the company right away. Then perform the organization reform as soon as possible is the key of this model.

Exhibit 45 Case of adaption – Author’s succession model



Section 2. STRATEGICAL MOVE MODEL ADAPTION

To determine the most suitable direction on strategy, candidate should study the firm’s situation and analyze which direction from 3 models is the best fit. In depth analysis of market, financial situation, human resource and so on are the first step to make before process the reformation model.

In the case of author’s family firm in this sub-section will explain in depth background and analysis to conclude the best-fit model.

6.2.1. Author’s family firm background

Author’s family firm, Panitep Construction, is a trading firm of construction-related materials and components such as steel, wood, concrete as well as hardware products such as wooden furnishers, bathtub, partition, roof tiles etc. Main area of business is in the Northeastern part of Thailand. 73% of customer are individual local customers who want to build their own houses. While 20% of customer are construction project builders and contractors, the rest 7% are government projects.

6.2.2. Analysis and adaption

Similar to case of Buriram Numchok (case 6), the current situation of SME construction material is at the beginning of crisis from bigger nationwide modern traders. Current employees are around 60, so it can be described as a small size company. The annual revenue has been hovering at 4.4 million USD (155 million THB) in the past several years. With the growing treats from nationwide players, the change in consumption and technology all of which lead to concerns of the business survivability.

Researcher chooses to analyze the financial part first to understand the current family firm situation. By researching the financial situation of own firm and market situation, one can gain the better understanding of overall situation.

Table 2 Panitep Construction Income statement

		INCOME STATEMENT (USD)						
		2014	2013	2012	2011	2010	2009	2008
Income		Converted to USD						
	Goods	4,421,829.09	4,505,290.07	4,584,735.28	4,647,323.81	3,958,102.85	3,505,212.60	3,930,163.81
	Services	127,496.33	140,448.74	91,135.84	167,127.73	305,919.26	139,567.00	133,027.64
	other	56,459.81	63,342.24	69,154.13	72,661.24	116,405.86	206,467.24	152,676.88
Total sales		4,605,785.22	4,709,081.05	4,745,025.24	4,887,112.77	4,380,427.96	3,851,246.84	4,215,868.33
COGS		-	-	-	-	-	-	-
	Goods	4,076,119.80	4,269,908.38	4,368,729.22	4,493,682.68	3,889,131.42	3,341,314.90	3,647,595.79
	Services	118,505.02	114,252.75	-	170,544.22	217,577.43	-	-
Total COGS		4,194,624.82	4,384,161.13	4,368,729.22	4,664,226.89	4,106,708.85	3,341,314.90	3,647,595.79
		-	-	-	-	-	-	-
Gross profit		411,160.41	324,919.92	376,296.03	222,885.88	273,719.11	509,931.94	568,272.55
SG&A		283,438.75	201,582.19	271,540.34	144,258.47	190,900.48	223,726.74	501,528.32
Rent		-	-	-	-	-	-	-
Gross margin		127,721.66	123,337.73	104,755.69	78,627.41	82,818.64	67,505.04	66,744.23
Tax (20%)		25,544.33	24,667.55	20,951.14	23,588.22	24,845.59	20,251.51	20,023.27
		-	-	-	-	-	-	-
Earning		102,177.32	98,670.18	83,804.55	55,039.19	57,973.04	47,253.53	46,720.96
Retain Earing		851,336.41	749,159.09	650,488.91	566,684.36	511,635.91	453,662.86	406,409.34
		-	-	-	-	-	-	-
YOY		(2.19)	(0.76)	(2.91)	11.57	13.74	(8.65)	-
Gross margin		9.80	7.41	8.61	4.78	6.67	15.26	15.58

According to Table 2 and Exhibit 46, author concluded that family firm could expect slightly downfall in the next few years. Combining with the current market situation, which change both

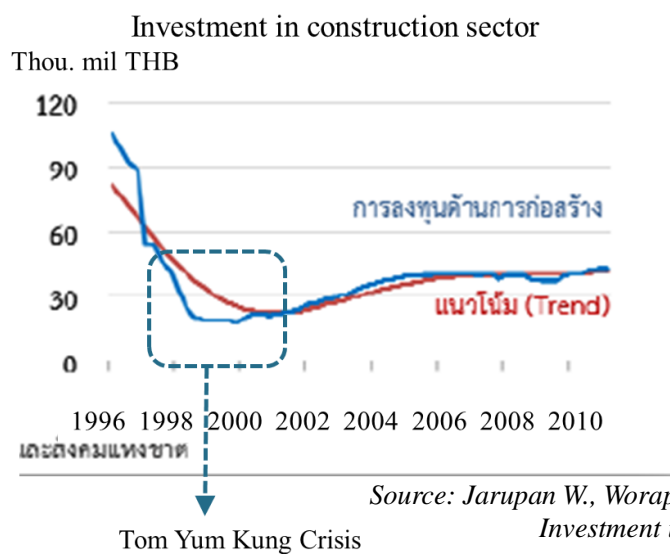
consumer behavior and competition context, future crisis, can easily be foreseen.

Exhibit 46 Panitep Construction annually income statement from 2009-2014



In contrast, Investment in construction sector in Thailand has been recovering and expecting to reach the amount before Tom Yum Kung financial crisis that began in 1997. (Jarupan W., Worapoj H. and Sutichot P., 2011)

Exhibit 47 Investment in construction sector 1996-2010



Source: Jarupan W., Worapoj H. and Sutichot P., *Investment in private sector, 2011*

Table 3 Investment in construction industry from 2012-2014

	Investment (mil USD)			YoY %		
	Total	Private	Gorv.	Total	Private	Gorv.
2014	27,076.43	14,563.34	12,513.09	2.3	5.4	-1.2
2013	26,590.80	14,266.61	12,324.19	-1.8	-2	-1.5
2012	27,078.20	14,557.76	12,511.87			
Q1/14	5,997.87	3,370.35	2,627.52			
Q2	6,893.76	3,661.11	3,232.66			
Q3	7,668.93	3,895.25	3,773.68			
Q4	6,030.23	3,339.90	2,690.33			

Source: NESDB, Annual report, 2015

The investment in construction industry is still stable with growing performance in the next several years. However, individual investment in building housing has experienced the declining in the past few years, especially Northeastern part of Thailand. (Real Estate Information Center, 2015)

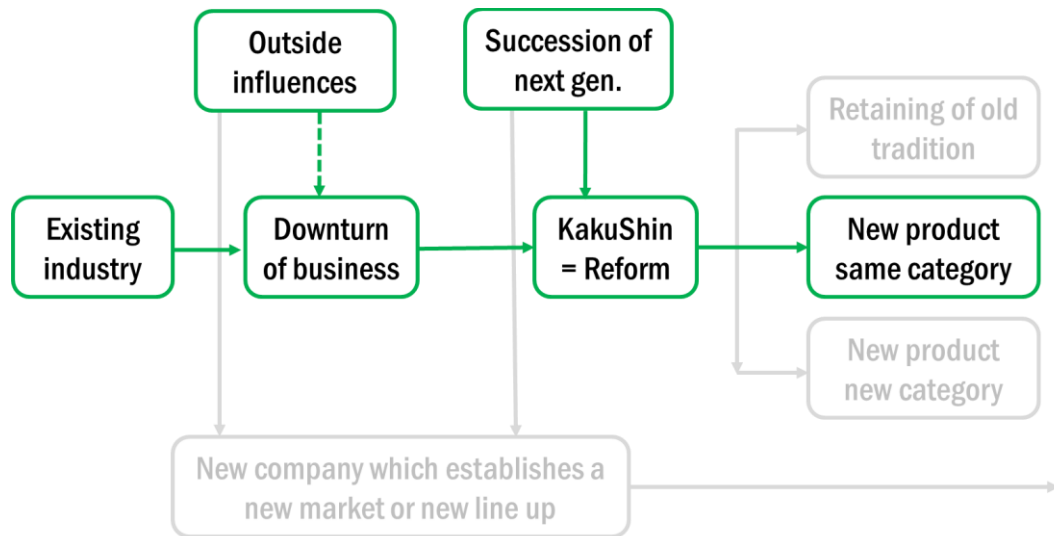
Table 4 Certificate issued for resident construction 2012-2014

	Area (Sq. m)						YoY %			
	Horizontal			Vertical			Horizontal		Vertical	
	2012	2013	2014	2012	2013	2014	2013	2014	2013	2014
BKK	10,400	10,795	7,622	5,742	5,334	3,843	3.80	-10.30	19.40	-7.10
NE	6,546	5,662	4,366	911	531	250	-13.50	-1.30	7.20	-41.70
East	3,676	4,470	3,746	1,746	1,842	1,289	21.60	15.80	64.90	5.50
South	5,155	5,078	3,161	787	774	524	-1.50	-18.50	27.80	-1.70
North	4,483	4,093	2,741	1,293	745	385	-8.70	-9.00	-23.10	-42.40
West	1,351	1,354	1,148	224	303	304	0.20	13.10	-33.80	35.20
Central	1,012	672	606	45	46	36	-33.60	17.70	14.80	1.10
Total	32,615	32,126	23,392	10,464	9,575	6,631	-1.50	-4.80	17.50	-8.50

Source: Real Estate Information Center, Annual report, 2015

From the data of current and near future situation, researcher draws a conclusion that main target customer's buying power of family firm is expecting to decline in the next few years. While there are still the potentials in overall investment such as government project, business investment or so on. According to the conclusion above, researcher then choose to change tradition, while still utilizing the same products and services. This leads to the second business strategical move model.

Exhibit 48 Case of adaption – Researcher’s business strategical move model



In addition to the conclusion of strategical move’s conclusion, the main target of the future firm should be government’s project or business customers rather than current target as an individual customer. Another reason to reinforce this decision is that the upcoming treats from big modern hardware store focuses mainly on individual local leave the more complex B2B market less impacted.

For long-term strategy, the ration mix of the future target customer should be determined as 70% business, government and 30% individual. The detail plan then should be draw to lead to that goal of family business.

The adaption of the model could give candidate the basic overall point of view and direction to perform succession process and future business strategical moves. Each candidate’s situation will be different and must considered case by case shown in an example by Author’s family firm.

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APENDIX

List of Interviewee

Case No.	Name	Age	Family firm
1	Veevika Thithipitaya	32	Veevara group
2	Issaree Warawongkitti	33	Kitcharoen poultry 1999
3	Watchara Maneetumwong	32	Cheankong Buriram Konlakan
4	Toranis Mappajong	39	Buriram Sand mining
5	Natthawat Kinhasawad	28	Buriram Numchok
6	Pimlada Kongthanairongroj	39	Buriram Saengjaroenkarnyang
7	Nuttagrit Chikityinghareon	28	Yingchareon Construction
8	Pichit Ratthanataworn	32	Reanthong
9	Chayanit Chueram	34	Kim Nguan Furniture 2004
10	Thanon Jiarapan	34	Somboon Sook
11	Thitiwat Thummawitmatee	35	Chakrawan Buriram