

SUCCESSION PLANNING IN FAMILY FIRMS IN THAILAND: A GENDER-BASED ANALYSIS

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Abstract: *This research examined succession planning in family firms in Thailand, with an objective of determining whether predecessor (firm leader) gender made a difference in the comprehensiveness or perceived success of the succession process. A questionnaire was distributed to Bangkok-area business owners of family firms that had gone through a leadership transition (n = 254), including 168 male-led firms and 86 female-led firms. Analysis was conducted using structural equation modeling (SEM). Results showed that the firm owner's age, firm size and organizational formality influenced the comprehensiveness of the succession planning process, but reliance on either family funding or external capital access did not. The comprehensiveness of the succession planning process had a significant effect on perceived success of the succession planning process. These results are exploratory due to the relatively small and non-representative sample, but they do indicate that more consideration is needed to relate gender of the firm's owner and the succession planning process.*

Keywords: *family firms, leadership succession, gender, female business owners, Thailand*

Introduction

Like many countries around the world, family firms are one of the main organizational structures for businesses of all sizes. A study of family firms in Thailand following the 1997 Asian currency crisis showed that about 58% of the 1,000 largest firms in Thailand at the time had a significant controlling interest by the firm's founding family (Suehiro & Wailerdasak, 2004). A more recent study indicated that family firms were responsible for about 70% of Thailand's GDP, while 50.4% of firms listed on the Stock Exchange of Thailand (SET) were family controlled (Apisakkul, 2015).

Furthermore, Apisakkul's (2015) estimate of growth rate in family firms compared to non-family firms showed that family firms had an average higher growth rate than non-family firms from 2009 to 2014. Thus,

family firms are highly important in managing economic growth in Thailand.

Although they are very important, family firms do have a number of operational and management challenges that threaten their long-term growth. This research focuses on the problem of succession planning, or selection and preparation of potential future leaders in order to make sure the company has leadership continuity over time (Rothwell, 2015). Successful succession planning can make the difference between success and failure in a family firm, particularly in a transitional period when the firm may lose focus or become a point of contention between warring family members (Ismali & Mahfodz, 2009). Effective succession planning will mean that the family firm will have professionally prepared operational managers and leaders to guide it into the next generation (Fahed-Sreih & Djoundourian, 2006). However,

succession planning is culturally contingent and there are a lot of differences in the planning process between countries (Lussier & Sonfield, 2012). One possible difference in succession planning is the gender of the firm's owner (Harveston, Davis, & Lyden, 1997). The objective of this research is to examine whether the factors in family firm succession planning in Thailand are different based on owner's gender.

Literature Review

Succession planning in family firms

Formal succession planning is not a characteristic of all family firms, but instead tends to be incorporated as the firm's founder grows older and the firm becomes more structured and formalized (Marshall, Sorenson, Brigham, Wieling, Reifman, & Wampler, 2006). This can actually lead to failure of the family firm to span a second generation, because older family firm leaders are also associated with a higher level of competitive conflict management, which makes it more difficult to institute a formal succession planning process (Marshall, et al., 2006). Furthermore, some firms do not use formal succession planning at all, as a study of Malaysian family firms shows (Ismali & Mahfodz, 2009). The authors of this study showed that while some firms did use succession practices, they may not be recognized as such in the context of larger professionally managed firms. Furthermore, there can be varying motivations for succession planning in the family firm, including maintaining family harmony and maintaining business continuity (Gilding, Gregory, & Cosson, 2015). The authors recognized four possible outcomes based on whether these goals were in conflict or coordinated, including institutionalization, implosion, imposition, and individuation (Gilding, et al., 2015). However, whether family firms, especially SMEs, are required

to have a formal or comprehensive succession planning process is uncertain. Much of the practice-based press does emphasize the importance of succession planning for business continuity and sustainability (Rothwell, 2015). However, studies that have actually examined succession planning in SMEs has not supported this relationship as strongly. For example, one study showed that planning and control of the succession process did not have a significant effect on the post-succession outcomes (Buang, Ganefri, & Sidek, 2013). This is similar to another study, where succession planning was not a factor in firm sustainability (Suriyankietkaew & Avery, 2016).

Factors influencing succession planning

Different studies have identified different factors that influence succession planning. One study examined personal characteristics of the owner (including age and gender), organizational factors (organizational size and organization formality), and financial factors (family funding and external capital access) could influence the completeness of the succession planning process (Harveston, Davis, & Lyden, 1997). Another author identified five different types of factors that could influence succession planning (Chittor & Das, 2007). These factors included predecessor-related factors (motivation, personality, predecessor-successor relationship), successor-related factors (motivation, capabilities, work experience, apprenticeship, family member or professional), family-related factors (family harmony, relationships, commitment), success process factors (succession planning, selection, successor development, governance), and business-related factors (board composition, previous experience, organizational culture, vision, business cycles, industry,

etc.) (Chittor & Das, 2007). A researcher from Thailand classified these factors into personal, intra-family relationship, context, and financial factors (Chaimawong & Sakulsriprasert, 2013). Another author noted that cultural factors could also influence the succession process (Lussier & Sonfield, 2012). The role played by the predecessor could also influence the succession planning process (Cadieux, 2007). The nature of the business, for example if it is highly technical or requires specialist knowledge, also influences the succession planning process (Royer, Simons, Boyd, & Rafferty, 2008). A further study specifically in Asian cultures suggested that Confucian values, including harmony, *guanxi* and *renqing*, could influence the interplay of relationships and context that change the succession planning process (Yan & Sorenson, 2006). In summary, there are a wide variety of factors that influence the succession planning process. For this research, the simplest model derived directly from gender-based studies, as proposed by Harveston (1997) will be used. This framework comprises many of the factors that other studies have addressed, without including contextual factors more suited to qualitative studies.

Family firm succession planning in Thailand

Thai family firms often do not use formal succession planning or other training, although it may be more common in modern businesses such as information technology (IT) businesses (Thassanabanjong, Miller, & Marchant, 2009). This is in keeping with the general approach to training, which is mostly conducted informally and on the job (Thassanabanjong, et al., 2009). In addition to training, succession planning in Thai firms, particularly large firms, may involve reinforcement of network relationships through business partnerships and even

marriage (Bunkanwanicha, Fan, & Wiwattanakantang, 2013). Bunkanwanicha, et al. (2013) showed that family firms where successors married existing network connections that provided political or financial incentives were more successful. However, personal characteristics of potential successors also play a role. A study of Thai SMEs showed that context and personal factors had the strongest influence on the firm succession process (Chaimawong & Sakulsriprasert, 2013). The authors studied a sample of small family firms (n = 374). They found that the personal characteristics of the planned successor and the business context of the study had a stronger influence than intra-family relationships and financial performance of the firm. The succession planning process had an effect on the post-succession performance (Chaimawong & Sakulsriprasert, 2013). However, not all studies have supported the importance of succession planning. A study of sustainable practices at Thai SMEs studied succession planning along with six other practices (Suriyankietkaew & Avery, 2016). The authors found that practices including social responsibility, placing high values on employees, maintaining positive labor relations, and having a strong shared vision influenced the firm's sustainability, but succession planning did not. One area where there is a gap in the research is identifying the role of firm and owner characteristics on the process of succession planning.

Gender and succession planning

Historically, there has not been much attention to gender or other demographic diversity in the succession planning process or its success (Greer & Virick, 2008). However, there is some evidence of gender effects on succession planning comprehensiveness. Harveston, et al. (1997) examined factors in succession planning,

including individual, organizational, and financial factors, based on the firm owner's gender in a sample of American family firms. The outcome variable was comprehensiveness of succession planning. For male-led firms, owner age, organizational formality, family funding and external capital access were significant, while for female-led firms, formality, size, and family funding were significant. Another study of gender in CEO succession found that the number of female board members was positively related to the selection of a female CEO (Elsaid & Ursel, 2011). The gender of the successor themselves may not be as relevant in terms of succession acceptance. A study of succession planning in Canadian family firms (n = 485) found that successor gender was among the factors that were not considered significant (Chrisman, Chua, & Sharma, 1998). Instead, the successor's integrity, skill and commitment to the business were considered to be the most important factors in whether a successor was considered appropriate (Chrisman, et al., 1998). Another study found only a small significant difference in perceived success of the succession process based on gender, which they deemed practically unimportant (van der Merwe, Venter, & Ellis, 2009). However, it may play a role in the firm's ultimate performance. For example, Elsaid and Ursel (2011) showed that appointment of female CEOs was associated with reduced risk-taking in some areas. This reduced the company's financial and operational risk exposure (Elsaid & Ursel, 2011). In summary, it is known that female owners and/or board members may be more associated with comprehensive succession planning and selection of female successors. However, there is limited research in other differences in succession planning, and not all of this evidence comes from family firms.

Research model and hypotheses

The research model (Figure 1) is based on Harveston, et al.'s (1997) model, with inclusion of post-succession firm performance (Buang, et al., 2013). Hypotheses include:

- Hypothesis 1: Predecessor age will influence comprehensiveness of succession planning.
- Hypothesis 2: Organization formality (H2a) and size (H2b) will influence comprehensiveness of succession planning.
- Hypothesis 3: Financial attributes (family funding (H3a) and capital access (H3b) will influence comprehensiveness of succession planning.
- Hypothesis 4: Comprehensiveness of succession planning will influence perceptions of succession process success.
- Hypothesis 5: Comprehensiveness of succession planning will vary by gender.
- Hypothesis 6: Perceived success of succession planning will vary by gender.

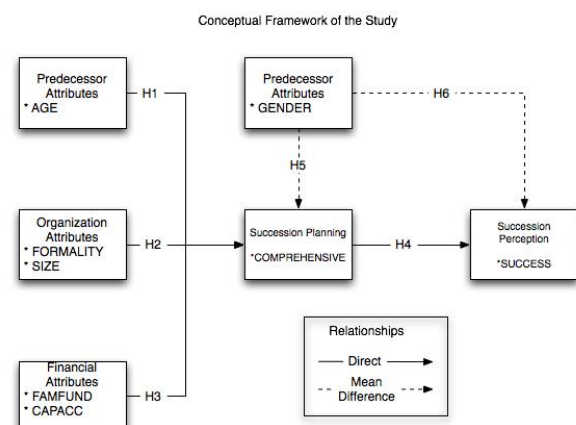


Figure 1 Conceptual framework of the study

Methodology

Sampling and data collection

The study was conducted at the firm level. The population of interest was family firms in Thailand. A questionnaire was designed to measure the following attributes:

- Predecessor attributes: Age at succession (years), gender
- Organization attributes: Formality (4 items), Size (number of employees) (1 item)
- Financial attributes: Family funding (3 items), Capital access (3 items)
- Succession planning: Comprehensiveness (5 items), success (5 items)

Except for Predecessor attributes, all attributes were collected using self-reported five-point Likert scales (1 = strongly disagree, 5 = strongly agree).

The questionnaire was distributed by mail to businesses operating in Bangkok area, with an initial distribution of 2,000 questionnaires. A total of 487 questionnaires were returned. After data screening and cleaning, the final sample size was $n = 254$ firms (12.7% response rate).

Descriptive results for all variables are shown below (Table 1). Cronbach's alpha (Table 2) shows appropriate reliability for all scales.

Variable		
Predecessor GENDER	Frequency	Percent
Male	168	66.1%
Female	86	33.9%
	Mean	S.D.
Predecessor AGE (years)	39.8	15.72
Organizational FORMALITY	3.2	0.69
Organizational SIZE (employees)	15.2	18.56
Family Funding (FAMFUND)	4.3	0.54

Capital Access (CAPACC)	2.7	1.34
Succession Planning COMPREHENSIVENESS	1.9	0.76
Succession Planning SUCCESS	3.2	0.43

Table 1 Descriptive statistics

Construct (Items)	α
FORMALITY (4 items)	0.821
FAMFUND (3 items)	0.792
CAPACC (3 items)	0.937
COMPREHENSIVENESS (5 items)	0.779
SUCCESS (5 items)	0.843

Table 2 Cronbach's alpha outcomes

Analysis

Structural equation modeling (SEM) was conducted in SPSS AMOS for H1 through H4. SEM is not commonly used in family business research, but it provides a useful full-model depiction of internal relationships in a model (Sarstedt, Ringle, Smith, Reams, & Hair, 2014). H5 and H6 were tested using independent t-test for difference in means. All tests were assessed at $p < 0.05$.

Results

Results were first tested using the full sample for H1 through H4. Goodness of fit for each of the sample groups was tested, using West, Taylor and Wu's (2014) acceptance criteria (Table 3). All goodness of fit tests were satisfactory.

	Criterion	Full Sample (n = 254)
Comparative Fit Index (CFI)	> 0.90	0.912
Normed Fit Index (NFI)	> 0.90	0.937
Root Mean Square Error of Approximation (RMSEA)	< 0.08	0.054

Table 3 Summary of goodness of fit tests

Following acceptance based on goodness of fit, each of the three models was tested to assess the proposed relationships using path coefficients, and t-test significance ($p > 0.05$, confidence level 95%). These tests were intended to determine whether there was a difference between the outcomes of the two groups. As the results show, Age had a positive relationship to Comprehensiveness, indicating that firms led by older predecessors were more likely to engage in comprehensive leadership planning. The formality of the firm's organization was also significantly related to perceived comprehensiveness of leadership planning, as was the firm's size. Thus, more formal and larger firms were more likely to engage in comprehensive succession planning. However, the funding sources (family funding and external capital access) were not significantly related to comprehensive succession planning. Finally, the comprehensiveness of the succession planning process was related to perceived success of the succession. Thus, H1, H2 (a and b), and H4 were accepted, but H3 (a and b) were rejected.

Path	Coefficient	T-value (significance)	Accepted?
H1: AGE -> COMPREHENSIVENESS	0.332	3.332*	Yes
H2a: FORMALITY -> COMPREHENSIVENESS	0.425	2.357*	Yes
H2b: SIZE -> COMPREHENSIVENESS	0.214	2.112*	Yes
H3a: FAMFUND -> COMPREHENSIVENESS	0.103	0.063	No
H3b: CAPACC -> COMPREHENSIVENESS	0.142	0.923	No

H4: COMPREHENSIVENESS -> SUCCESS	0.233	2.335*	Yes
Note: * $p < 0.05$, ** $p < 0.01$			

Table 4 Model relationship summary (full sample) (H1 through H4)

H5 and H6 were tested using t-tests (Table 5). This shows that female-led firms consistently had slightly higher perceived comprehensiveness and perceived success of the succession planning process, even though the female-led firm group was the smaller group in the sample. Furthermore, the t-tests showed that both of these means were significant, although they were relatively small (between 0.16 and 0.20 points). This indicates that female-led firms had a slightly, but significantly, higher level of comprehensiveness and perceived succession in the succession planning process compared to male firms. Both H5 and H6 are accepted.

Hypothesis	Group	Group Mean	T-value	Accepted?
H5: GENDER -> COMPREHENSIVENESS	Male	1.83	-1.985*	Yes
	Female	2.03		
H6: GENDER -> SUCCESS	Male	3.15	-2.806**	Yes
	Female	3.31		
Note: * $p < 0.05$, ** $p < 0.01$				

Table 5 T-test outcomes (H5 and H6)

Discussion and Conclusion

This research has shown that there are differences in male-led and female-led firms in Thailand in terms of their approach to succession planning, with female-led firms being somewhat more likely to use a formal succession process and with succession in female-led firms being more likely to be

perceived as a success. However, the size of these differences is not very large; for example, even in female led firms the level of comprehensiveness of the succession planning process is not very high, and succession is only likely to be perceived as a moderate success in any of the firms. Thus, while this research does conform to the expected findings of Harveston, et al. (1997), showing that female-led firms are somewhat more likely to consider succession issues, it is also consistent with van der Merwe, et al. (2009)'s findings that gender only makes a small practical difference in the perceived success of the succession process. The study's findings are also consistent with previous research that has shown either that formal succession planning is not a significant practice in Thai family firms or that it takes forms such as network relationship reinforcement through marriage that may not be recognized as succession planning in Western business (Bunkanwanicha, Fan, & Wiwattanakantang, 2013; Chaimawong & Sakulsriprasert, 2013; Thassanabanjong, Miller, & Marchant, 2009). This research did not illuminate whether the succession process was a success in terms of firm outcomes, although previous research suggests it may not be required (Suriyankietkaew & Avery, 2016).

In conclusion, the research showed that formal succession planning is more likely to happen in Thai firms when the owners are female, older, and where the firm has a more formal structure and is a larger size, although funding does not appear to make a difference. However, this study is only the beginning of succession planning research in Thailand, and there is far more to be learned. Other authors have found that succession planning may consist of different activities or have a different orientation from the management and training-oriented perception of succession planning, but it may be incorrect to call these types of planning *informal*. Instead,

such practices could be recognized as culturally appropriate and based in organizational forms and contexts that do not necessarily occur in Western business. The implication of this finding is that the idea of succession planning should be broadened in order to take into account cultural differences and differences in available resources and orientations of family firms. Furthermore, as Sarstedt, et al. (2014) have noted, there are many analytical techniques that have not been examined in the context of family firm succession planning. While this research used SEM, there are also other techniques that could be put to use to gain more insight.

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