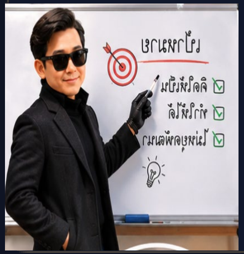
FAMILY BUSINESS & LEGACY

Chapter 1 Principles of Family Business Management and the Role of Members

Analyze the structure, roles, functions, and succession process in a sustainable manner to build a stable business empire.



Lecture by A. Kawin

Asst. Prof. Kawinphat Lertpongmanee
Specialist in Succession Strategy and Family Business Management

SECTION 01

Definition and Introduction

Understand the dimension of the relationship between "family" and "business".

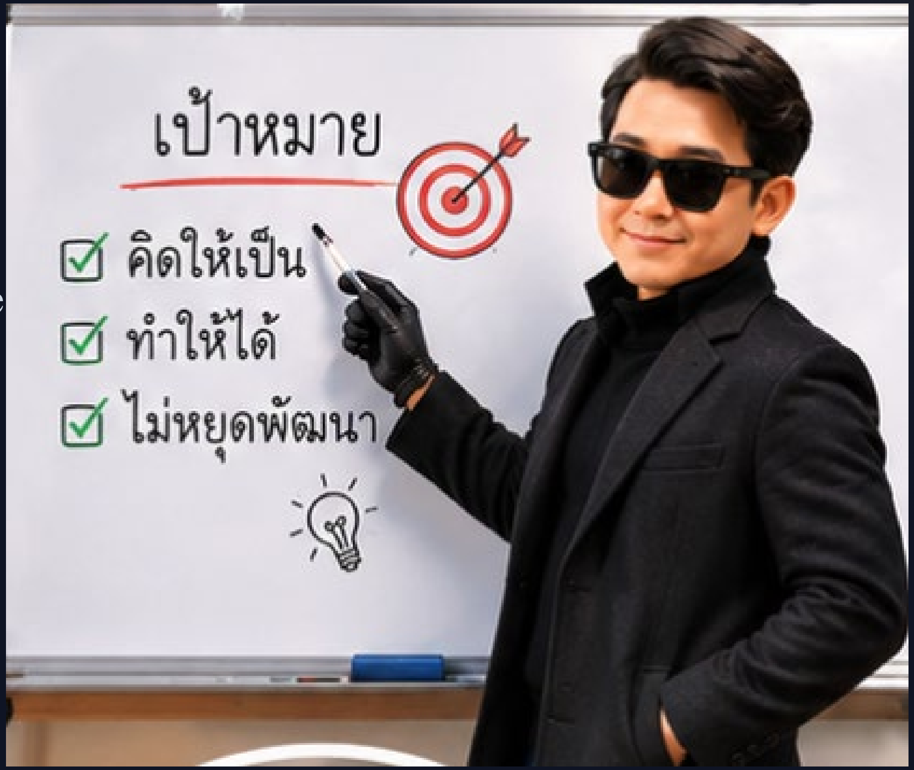
Definition of Family Business

Definition of shareholding

Family business means a business or business in which more than half (50%+) of the company's shares are duly owned and owned by members of the same family.

In addition, it covers the dimension of handover, which is a business that has a plan or inheritance from one generation to another in a systematic manner.

(Intergenerational Succession)



Voting rights and control

The dimensions of power and administration are not measured by the proportion of investment alone. But it can be indicated through significant voting rights:

Voting Rights

The founder or family has the right to vote by majority vote at the general meeting of shareholders.

Administrative Rights

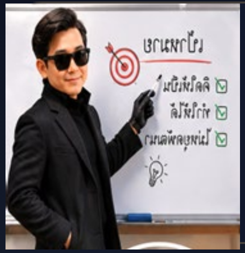
It has the highest authority and authority to manage, mobilize resources, and make strategic decisions.

Board Presence

At least 1 family member acts as an authorized director of the company.

Criteria of the Family Business Study Center

The Center for Family Business Studies, University of the Thai Chamber of Commerce has set three basic criteria for considering family business in order to ensure that the allocation of research data and support is accurate according to international standards.



A. Kawin's Insight

If one of these elements is missing, it may change its status to a business that is almost completely controlled by external management.

1) Founding family

There is a clear pedigree of being a pioneer family and a principal company registrar.

2) Role in the Policy Board

There must be at least one member of the family sitting in the chair of the Board of Directors.

3) Majority Shareholding Rights

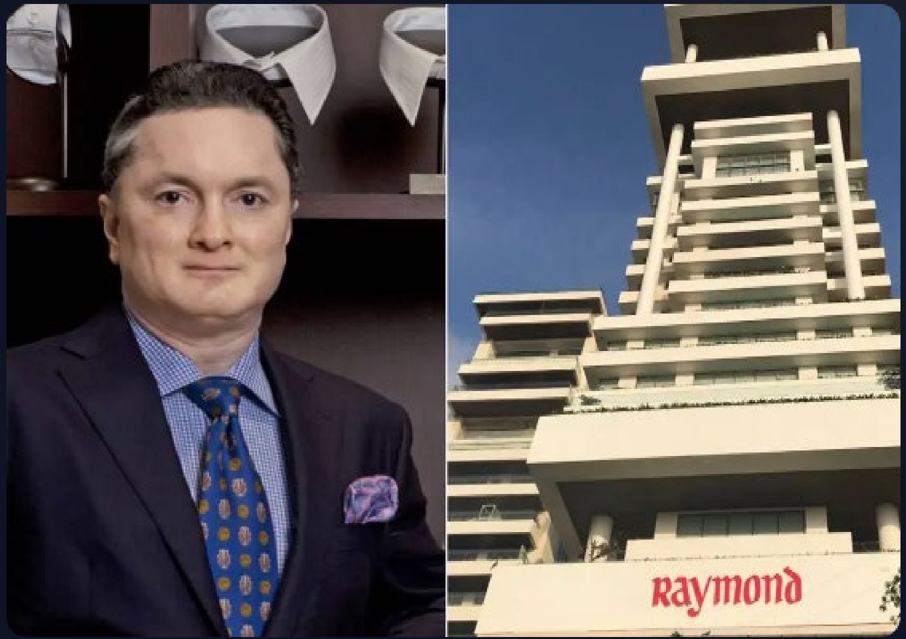
The family members hold the largest shareholder group contract (Consortium/Majority Group).

Dual System Model

Interaction between 2 poles

According to the ideas of leading scholars (Sankchai Tiaoprasertkul, 2007) It describes a family business as "a shared system with permanent cross-dimensional interaction."

Role conflict often arises at this junction because the "family" system emphasizes emotions and protection, while the "business" system emphasizes profit and advanced efficiency.



Therefore, it is essential to manage and separate family matters from the formal work system.

Summary of the three pillars of the family business

3

CORE PILLARS

Summary Definition

- Family Ownership: Holding a large share of profits and shareholder value.
- Family Control & Governance: Retaining command rights Strategize and control the direction decisively.
- Family Succession: It aims to pass on the business from the generation of the creator to the next generation of heirs to preserve the family legacy.

SECTION 02

Highlights and comparative highlights

Analyze the identity that supports the family's business to succeed above other organizations.

Highlights that make it grow efficiently

Simplified supervision

The number of shareholders is small and has the same bloodline. Therefore, there is a high level of consensus on the determination and implementation of corporate governance.

Deep business understanding

Heirs often absorb the perception of culture, history, customers, and how they work through the family lifestyle from a young age, so they are more bonded and can access problems faster.

prudent financial discipline;

Focus on growth according to the family's accumulated financial strength. Avoid incurring large debts unnecessarily to prevent risks affecting the family.

เปรียบเทียบข้อดีและข้อเสีย

ข้อดีของธุรกิจครอบครัว	ข้อเสียของธุรกิจครอบครัว
1. Highly agile in management and decision-making	1. Lack of liquidity and flexibility in stock valuation
2. Able to develop and improve the organization in a short period of time.	2. The restrictive structure makes it more difficult to access loans and capital markets.
3. Strong and inherited corporate culture	3. The risk rate is very high during the business succession to the new generation.
4. High long-term benefits and focus on preserving family reputation.	4. Random risk from clashes or conflicts between relatives
5There is support and specialized knowledge to be transferred closely.	5. Skilled professionals are often concerned about advancement and promotion.

5 strategic advantages

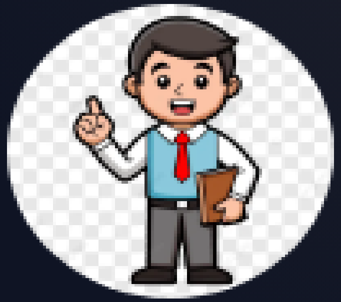
1. Commitment & Passion: Members have a heart to devote themselves to the business because it is a symbol of the honor of the family.

2. Speed of decision-making: Avoid bureaucratic procedures on the company's board, can evaluate opportunities and sign approvals immediately.

3. Mutual Trust: Reduce the complicated verification process with a foundation of trust between relatives.

4. Deeply Accumulated Knowledge: There are know-how tips that are taught only from generation to generation.

5. Courage to take risks and adapt: Willing to slash short-term profits to maintain the foundation of the business in the next 10-20 years.



A. Kawin summarized the key insights.

"The challenge is how to maintain these 5 advantages.
When the company expands its scale and hires an outsider to replace it in the future."

Key Challenges and Obstacles

1. Recruiting quality employees

Outside professionals often think that advancement rights are limited to direct heirs. It is important to create equal growth opportunities and clearly define the organization.

2. Funding for growth

Relying only on family funds or limiting traditional bank loans may make it difficult to scale up to the market. Listing the business on the stock exchange is an option that challenges family power.

3. Ideological schisms

The mix of emotions in the home and business decisions often escalates into irreconcilable family relationship problems. If there is no Family Constitution to govern it,

4. Ownership vs. Management

There is confusion between the role of "Owner" and "Manager". Therefore, the distribution of roles must be sharp and objective.

SECTION 03

Evolution and Growth Cycle

The 3-stage evolutionary path From the beginning to building a network empire

เส้นทางวิวัฒนาการของธุรกิจครอบครัว

Phase 1: (FOUNDERS)

ยุคบุกเบิก ขับเคลื่อนด้วยวิสัยทัศน์และการทุ่มเทแรงกายของคนเดียว เพื่อสร้างรากฐานความอยู่รอดให้ธุรกิจในระยะเริ่มต้น

Phase 2: (SIBLING PARTNERSHIP)

กิจการใหญ่ขึ้น มีระบบและกระจายหน้าที่ให้พี่น้องช่วยกันบริหาร เริ่มใช้วิธีทำงานแบบมืออาชีพและการปูทางส่งการศึกษาให้ลูกหลาน

Phase 3: (Cousins confederation)

สืบทอดถึงรุ่นลูกพี่ลูกน้อง มีผู้มีส่วนร่วมมากขึ้น มีความสามัคคีและบริหารด้วยเสียงส่วนใหญ่ มองหาการลงทุนในธุรกิจนวัตกรรมใหม่ๆ

Phase 1 Evolution: Founders

Pioneering to survive failure

It was a period full of struggles and requiring sharp decisions from a single center, often the "founding father/mother".

- → Almost all of the reins are based on personal opinion.
- → Accounting and control of income and expenditure are not clearly structured.
- → The main challenge lies in overcoming the shortage of liquidity and working capital.

The era of formation and laying the foundation

"This era needs a benevolent dictator who is in charge of the work with decisiveness because there is no structure to take care of it, but it often creates problems when it is transitioned to the second phase if the delegates are not trained."

วิวัฒนาการช่วงที่ 2: หุ้นส่วนพี่น้อง (Sibling)

มุ่งเน้นสติปัญญาและทีมเวิร์ก

การบริหารเริ่มกระจายไปตามทัศนคติของกลุ่มพี่น้องร่วมสัญชาตญาณ ซึ่งถูกปูพื้นหลังและได้รับการฝึกฝนให้เติบโตในสายงานต่างๆ

- แบ่งแยกความรับผิดชอบชัดเจน: เช่น พี่คุมฝ่ายผลิต น้องดูแลการตลาดและการเงิน
- ระบบมาตรฐานสากล: เริ่มลดทอนความเสน่หา ยอมรับบุคคลเก่งระดับมืออาชีพภายนอก
- ส่งเสริมทายาทรุ่น 3: จัดทุนการศึกษาชั้นดีเพื่อส่งไปเรียนต่างประเทศและเรียนรู้งานในระดับบริษัทใหญ่ภายนอกก่อน

Stage 3 Evolution: The Cousins

Portfolio Management and Family Reputation

When entering the cousin generation. The number of family members can be enlarged to dozens of people. Therefore, the direction of management has been adjusted to become an investment institution in the public dimension.

* Collective Contract System and Agreement Rules: Majority Vote There is a family council to help heal the cracks.
* Open to joint ventures: Diversify investment and focus on brand-based social activities. (CSR)
* The family constitution is perfect: documents of the rules of inheritance and the work of relatives are clearly used.

The era of preserving the international family heritage

A.Kawin recommends the highest strategy.

"Sustainability In the third era, it often fails because its members are too distant, and the Family Council will help bridge. The heart and create a strong relationship culture in this generation."

Comparison of key variables in 3 growth eras

Dimensions Compared	Phase 1: Founders	Phase 2: Sibling Partnership	Phase 3: Cousins
Business Age / Parents	0-5 years / 25-35 years old	10-20 years / 40-50 years	20-30++ years / 55-70 years old
Characteristics and Strategy	Small, agile, and high-growth	It started to fall into place and became more complicated.	Focus on adjusting the new investment plan.
Motivation and finances	Want to survive failure / use it	Want to Control/Increase Scholarship	Creating long-term stability / for charity
Decision Making / Administration	Decisive alone / Managing the task in front of you	Joint Decision / System Planner and Professional	Use unanimous resolution / be a resource distribution council

Management and Sharing Models

The direction of business administration and the role of members can be classified into 3 main forms. As follows:

1. Focus on management

Attract heirs to practice their skills on the job strictly. The evaluation for the position and the succession of the policy is measured by "Performance" is highly fair.

2. Focus on shareholders' rights

Focus on dividends and maintain financial power, aiming to return returns to the family through annual dividends rather than setting aside reserves for high-risk long-term investments.

3. Family-oriented

Always choose family members to work before outsiders. The financial system is often opaque. There are complex welfare There is a chance of losing an external professional easily.

Common characteristics of a globally successful business

- **Accept problems as commonplace:** members recognize that conflicts between the two systems are natural and are always prepared to find a way to prevent them.
- **Ready to Challenge:** Strong and Indomitable in the Age of Disruption Giving up comfort to protect the next generation of legacy
- **Communicate openly and honestly:** Organize a formal forum outside the dinner table to discuss financial conflicts.
- **Long-term sustainability plan:** Clearly define succession planning and retirement criteria.
- **Spiritual dedication:** Cultivate a corporate culture so that the heirs are willing and proud to carry on the kingdom.

Sustainability Brief from the Speaker

"

"Managing a family business to overcome the 'Three Generations Curse' It does not only rely on the formula for financial success, but must combine the science of business management and the art of fusing the hearts of members to truly drive in the same direction."

- Assistant Professor Kawinpat Lertpongmani (A.Kawin) -

End-of-chapter questions and review exercises

- 1. What is a family business and how is it measured by legal-psychological criteria?
- 2. Strengths and advantages that family businesses have over ordinary businesses What's Included?
- 3. Describe the 3 stages of evolution with different organizational behaviors?
- 4. How do the 3 family business management concepts negatively affect corporate finances?
- 5. Why is the 'Family Constitution' so important in the era of kinship federation?

Thank you for your willingness to study.

Image Sources

Thumbnail for www.vecteezy.com

https://static.vecteezy.com/system/resources/previews/060/362/367/non_2x/cheerful-businessman-mascot-cartoon-in-a-smart-suit-over-a-transparent-background-ideal-for-branding-and-marketing-messages-businessman-mascot-cartoon-on-transparent-background-free-png.png

Source: www.vecteezy.com

Thumbnail for www.youtube.com

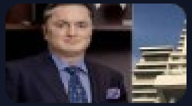
https://i.ytimg.com/vi/yf9nccbmsb0/hq720.jpg?sqp=-oaymwEhCK4FEIIDSFryq4qpAxMIARUAAAAAGAElAADIQj0AgKJD&rs=AOn4CLCtdxEjjc38BX6jhHnfSzc0zZTl6A

Source: www.youtube.com

Thumbnail for pngtree.com

https://png.pngtree.com/png-clipart/20250810/original/pngtree-confident-female-mascot-character-in-corporate-outfit-png-image_21699551.png

Source: pngtree.com



https://housiey.com/blogs/wp-content/uploads/2025/05/Gautam-Singhania-JK-House.png

Source: housiey.com

Thumbnail for pngtree.com

https://png.pngtree.com/png-vector/20250808/ourlarge/pngtree-cartoon-male-teacher-character-vector-png-image_16793351.webp

Source: pngtree.com

Thumbnail for www.vecteezy.com

https://static.vecteezy.com/system/resources/previews/055/069/403/non_2x/friendly-cartoon-doctor-character-standing-confidently-in-a-white-lab-coat-with-arms-crossed-in-a-bright-and-cheerful-setting-isolated-on-transparent-background-free-png.png

Source: www.vecteezy.com

Image Sources

Thumbnail for andsimple.co

https://andsimple.co/wp-content/uploads/2025/07/devon-janse-van-rensburg-LcbOi9tTg9Q-unsplash.png

Source: andsimple.co

Thumbnail for pngtree.com

https://png.pngtree.com/png-vector/20260425/ourlarge/pngtree-d-cartoon-character-of-a-smiling-female-teacher-holding-book-and-png-image_19162455.webp

Source: pngtree.com

Thumbnail for www.comstocksmag.com

https://www.comstocksmag.com/sites/main/files/imagecache/lightbox/main-images/001_4.png

Source: www.comstocksmag.com