Communicating innovation and sustainability in family businesses through successions

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ABSTRACT

Small and Medium Enterprises (SMEs) contribute significantly to the economy despite the survival rate becomes lower through generations. This study aims to develop a communication model suitable for SMEs during succession for innovation and business sustainability. Nine innovative manufacturing family SMEs in Thailand are selected using assembled multiple-case study method, and in-depth individual interviews are conducted using data triangulation method which the incumbents, successors, and long-serving non-family employees as participants from each business. There are two main findings. Issues regarding organizational innovation, social capital in the form of internal and external network relationships, traditional and territorial knowledge, succession planning and procedure, and sustainability-driven mindset should be communicated, formally or informally, during the succession process. Secondly, the incumbent’s contradiction between his intention and action, the successor’s ability and willingness, and the staff’s response to changes during the succession process, are the main communication barriers against achieving innovation and sustainability. By implementing the communication model to the family business, the incumbents and successors can maximize the business’s structure and resources to be better understood throughout the firm with the business maintaining or reinterpreting its cultures, values, and traditions to the next generation. The model allows family businesses to have better awareness in terms of innovation management, social capital, innovation with their background knowledge as capital, succession, and business sustainability. Successful communication of the topics and concepts during succession should raise the standard and competitiveness of family businesses domestically and internationally.

1. Introduction

Family businesses are the dominant business form globally, especially in Asia, however there are significantly less conceptual and empirical studies that explore the factors influencing strategic behaviors of Asian businesses compared to those in the Western countries where the current theories are used to generalize family businesses in general (Astrachan and Shanker, 2003; Jiang and Peng, 2010; Sharma and Chua, 2013). More than 80% of businesses in South East Asia (ASEAN) valued at USD$1 billion are family businesses or conglomerates, with family businesses contributing up to 85% of national GDPs in the ten countries (Ilo and Chalam, 2017). Small and Medium Enterprises (SMEs) contribute significantly to the ASEAN economy. In 2018, there were 3.1 million SMEs out of the 34 million enterprises in Thailand, hiring 14 million out of 16 million workforces, in contrary, these SMEs contribute to only 44 percent of the GDP with only 0.8% growth (OSMEP, 2020). Out of 3.1 million SMEs, 2.4 million or 77%, are family businesses (OSMEP, 2020). In 2016, the survey of over 2,800 family businesses worldwide, separates family and non-family businesses by unique cultures and values, faster decision making with involvement of working family members, and lastly intrinsic measures of success such as maintaining the family values instead of tangible key performance indicators (PWC, 2022). Despite the high proportion of family businesses in the SMEs, the survival rate of the businesses decreases through generations: 30% make it to second generation, 12 % and 3% to third and fourth generations respectively (Singapore Management University, 2015). Study in Hong Kong finds

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that family businesses on average lose 60% of their value during the succession period (Ho and Chalam, 2017). Contradiction between actions and intentions of the incumbents, the potential successors’ feelings of isolation despite their commitment, and the successors not feeling trusted and given enough importance by the incumbents, are factors contributing to family businesses’ low survival rate through generations (Singapore Management University, 2015).

To achieve long term competitiveness, inputs from both the innovation-driven family businesses, as well as family-driven innovative businesses are crucial for the national economy, since innovation is vital to the financial growth of the businesses by increasing the competitiveness to gain new target groups by innovative business models, and better adaptability and ability to flexibly transform to new crisis to meet the market requirements (Calabro et al., 2018). The future research on family business should focus on the family, its complexity, and how the management of communication and relationships within family businesses should be handled to achieve innovation, amid all the intangible factors associated with family businesses (Eddleston et al., 2019). There are no clear factors indicating how the family businesses can stay successful through generations, despite the increasing number of academic research papers on the topic of family business and innovation in the past decade. This study aims to explore the factors that make family SMEs, with less financial and human resources compared to non-family conglomerates, successful through generations.

Business sustainability can be achieved through a perspective known as resource-based view which regards the business as resources independent from external and industry factors (Ambrosini, 2003). Basadur et al. (2013) interprets the resource-based view that the business’s resources, especially its people, are key drivers of the business’s sustainable competitive advantage, because with good leadership and managerial skills, the people in the business will be capable to adapt to the ever-changing markets and industry structures. “Simplicity thinking” is a system that involves all employees to maximize their knowledge, process, and skills to constantly counter both internal and external problems to develop a sustainable organization (Basadur et al., 2013). An innovative and sustainable organization must be effective in balancing adaptability and effectiveness in both rapidly changing, unstable environment, and a predictable, stable environment (Basadur et al., 2013; Mott 1972). These theories about business sustainability are widely studied and used as models, but few, or even none, on how family business can be both innovative and sustainable through generations.

The creativity and innovation usually come in the form of tacit knowledge known only by an individual, most commonly the founder, suggesting that the knowledge transfer during succession have not been completed. This is supported by the theory of technological discontinuity by Anderson and Tushman (1990) stating that once a business reaches a breakthrough innovation, the business will invest heavily to maximize commercialization on the product, with incremental improvements until a new dominant design comes into the market and the old product dis-continues. In the case of the family business, if the later generation is not financially and psychologically, with control and authority, these entities for the success of the business, therefore there is a strong case to explore that gap in conducting the research.

Existing literature fails to separate regional and national level of contextual contingencies, which is a hindrance to the understanding of family business (Fang et al., 2022). In order to provide the better of understanding, Fang et al., 2022 suggests that the topics of family compared to non-family, governance, heterogeneity, family system, business ethics, and business behavior should be explored regionally and nationally. This section of literature review attempts to give an overview of the success factors of family businesses that adapt to flourish with innovation through generations. These factors are organizational innovation, positive social capital, ability to innovate through tradition, the mindset for business sustainability, and a good succession process. When the incumbent hands over the business to the successor, in which the process may take several years, these factors should be communicated to the successor along with the change of leadership and ownership.

This article contributes to the field of family business, and family business research in several ways. Family business can achieve business sustainability through innovation. However, to maintain innovation activities and output during and after the succession process, many concepts, ideas, and factors need to be communicated from the top to the bottom of the organization, and communication between the incumbents and the successors are critical for the business during the succession process. The findings can potentially lay a foundation for future research on various communication topics in family business in ASEAN and Asia. We hope that in future studies, many theories, empirical studies, and concepts will be originated specifically from Asia.

The article is organized in the following manner. It starts by discussing different factors that are positively linked with the success of family business through generations, innovation, sustainability, and communication. Secondly, the author describes the methodology used to conduct the research in this study. The results are presented and discussed altogether with the model of communication. Lastly, the implications and future research directions are proposed.

2. Literature review

Family businesses play a significant role in the global academy, but not much academic research have been conducted until 2000 (Bird et al., 2002). Family business is defined as a business based on ownership, and management run by an entrepreneur/founder or his family members, holding more than 50% of the voting rights of the company, with at least one person holding a managerial position, together with the completion, or in the process of the business succession in intra or intergenerationally (Drake, 2009; Stavrou, 1999). Azoury et al. (2013) gives another dimension to the definition that the family business is not necessarily family-exclusive but can include non-family as shareholders and key managers. In this research, a family business is a business based on ownership financially and psychologically, with control and authority, and management run by one or more family members holding more than 50% of the voting right, with an intention to be succeeded by another family members (Azoury et al., 2013; Drake, 2009; Stavrou 1999).

There are connections of overlapping studies and fields regarding innovation, business sustainability, and family business. In the literature review, the author discusses the previous research of different factors that are linked with successful family businesses, and innovative businesses. For some factors, numerous studies support the claim that they are directly linked with the success of successful family businesses, and/or innovative businesses. However, some factors do not have strong evidence for the success of the business, therefore there is a strong case to explore that gap in conducting the research.

2.1. Creativity and organisational innovation in family businesses

Creativity is the production of novel and useful ideas either by an individual or a group of people, and when successfully applied by an organization leading to the ideas being useful and commercialized, organizational innovation is achieved (Amabile, 1988). Amabile (1998)
also defines organizational innovation as a creative problem-solving process by combining three factors: intrinsic motivation to create, organizational resources, and innovation management skills of the leaders. Organizational is also linked with the business’s internal organizational climate that includes involvement, freedom, trust, healthy debate, and risk-taking (Shankar et al., 2017). A business needs to manage its human resources efficiently, providing them with enough resources to be creative, and manages the intrinsic and extrinsic motivation in the right balance for these personnel (Amabile 1998).

There are no best practices for a family business to follow in order to achieve organizational innovation. Some research finds family businesses traditional, stubborn, and incapable to innovate (Hill et al., 2001). In contrast, some find family business to have intangible ability to innovate (Gudmundson, Tower and Hartman, 2003). De Massis, Frattini and Lichtenhaler (2012) put a strong emphasis on the business’s active family members to value the innovation’s potential to gain a competitive advantage, leading to a long-term innovation capability. There is a direct positive correlation between skills, involvement, defined structures and directions of the management; and innovation capacity in non-family businesses, but not in family businesses (Beck et al., 2009). The family businesses are different structurally compared to non-family businesses, so best practices may not apply (Ernst, 2002). The directions of future research on the family business cannot regard the family businesses as businesses, with a clear focus in the family business group especially between or within generations, and researchers should be able to identify the generational phases with different behavioral and identity patterns, for meaningful and valid data (Beck et al., 2009).

2.2. Social capital

The term “Ability and Willingness Paradox” is first introduced by De Massis, Di Minin and Frattini (2015), resonating that family businesses have unique abilities to innovate with supporting structures that come with family ownership. The willingness does not depend on tangible resources but is highly influenced by socio-emotional non-economic factors, specifically social capital (Chrisman and Patel, 2012).

Social capital refers to the sum of available social resources the firm possesses: it can be categorized as internal such as values and relationships between members; or external such as network ties and interaction between the internal and external agents (Kim and Cannella, 2008; Nahapiet and Ghosal, 1998). Carrasco-Hernández and Jiménez-Jiménez (2013) find that social capital in the form of family business’s culture positively contributes to innovative process and output by creating mutual goals and knowledge. In contrary to non-family business, family business tends to treasure the social capital for both the family and the business, with the fear of losing control being the strongest factor which will complicate relationships with the non-family partners (Yuan, 2019). The studies of social capital suggest that positive relationships of the working family members, non-family members, altogether with a clear vision to innovate, and a harmonious intention and action of the incumbents for the next generation to succeed, directly impacts innovation.

2.3. Innovation through tradition

The innovation through tradition model by De Massis, Frattini, Kotlar, Petruzelli and Wright (2016) explains that the sources of past knowledge from business and area-specific traditions, is vital for innovation by interiorization. These sources of traditional and knowledge are then codified into raw materials, manufacturing processes, and implicit knowledge usually kept secret by a few trusted working family members. Innovation occurs when the business can reinterpret the forms of past knowledge into new functions or meaning. In practice, managers with innovation responsibilities should bravely forego the past traditions and accept the new knowledge for future innovation with products combining the past knowledge with new knowledge for new functions and meanings (De Massis et al., 2016).

2.4. Sustainability in family business

Business sustainability is defined as maintaining the existence of the organization, trans-generational welfare, and continuity of the economic systems (Tisdell, 2005). Sustainability of a family business depends on the commitment through generations, therefore the incubation of the next generation is a necessary step towards sustainability (Singapore Management University, 2015). Effective succession leading to sustainability is a two step process into leadership and into ownership, by allowing successors to get external professional experience, putting a medium term plan as a bridge between succession, broaden the decision-making process, involving successors to have psychological ownership, and clarifying the incumbents’ plan after retirement (PWC, 2022). Correct identification of successors, altogether with utilization of experience, with clear intention of the incumbents, are all key factors of family business succession (Roey et al., 2008). Ho and Chalam (2017) notices a trend that many of Asia’s new family business successors are trained at the top international educational institutions before returning to their family businesses, which brings professionalism to modern day management.

Empirical study by Wang et al. (2019) indicates that successor knowledge, rather than willingness, plays an important role on sustainability, and that the incumbents must identify the right successors with both social and intellectual skills to succeed the businesses or they must face the dilemma of seeking professional managerial options. If the successors are incompetent, it is more likely that the incumbent will appoint professionals to conduct business operation (Banegil Palacios, Martinez and Giminez, 2013). In Taiwan over 90% of businesses are family SMEs that engage in manufacturing, and these businesses are facing the decrease in ability to retain and develop their skilled laborers (Chen and Wang, 2019). Empirical study also indicates that family business succession is not the obligation like before and not all successors are willing to succeed, thus it is crucial to understand the relationship and linkages between succession willingness, knowledge, talents, and sustainable innovation for a good transition of succession process (Stavrou, 1999; Wang et al., 2019). Moreover, as long as the incumbent approves the successor professionally in the business after the successor’s accumulation of experiences both inside and outside the family business, there will be a positive influence on successor’s attitude, motivating the successors to continue the business (Wang et al., 2019). The consideration of sustainable succession of family businesses consists of complexed and multi-dimensional decision-making process (Liu, 2018). In a competitive and ever-changing market environment, positive relationships, trust and commitment between the incumbents and successors: along with corporate characteristics and family social capital are the key determinants that the businesses’ sustainability and survival through generations.

2.5. Succession process

Succession of a family business is defined as the handing over of the business between generations, not limiting to parent-offspring, but more on the replacement of leader in the family business by a family member (Yuan, 2019). Succession does not only involve handing over just the ownership and leadership, but also authority, corporate and social networks, and also the entrepreneurship spirit from one generation to the next (Handler, 1994). The process commonly starts with the successor entering the business, regardless of position or hierarchy, and ending with the him/her having full control when the incumbent retires (Yuan, 2019).

Innovation in family business is considered a paradox with contradicting findings: they are known to be conservative, but more than 50% of “innovative businesses” in Europe are family businesses, and the most paradoxical issue is that despite having the capability to innovate, family businesses do not have enough innovation outputs (De Massis et al., 2015). Paradoxical effects of innovation in family business are separated
into: 1) innovation inputs suggesting that family businesses invest less in R&D compared to non-family businesses, 2) innovation activities which both empirical and qualitative researches are inconclusive, and 3) innovation outputs which sums up the paradoxical effects because there are contrasting studies indicating different innovative outputs from family (De Massis et al., 2015). One unique feature of a family business is the unification of ownership and control, while non-family businesses distinctively separate ownership and management (Gedajlovic and Carney, 2010; Kotlar et al., 2013). In the family-driven innovation model, the incumbents, successors, and executives should find an integration that captures the complexity of innovation and family businesses and finding the “close-fit” between the two to develop the mechanism that the family involvement can lead to innovation (De Massis et al., 2015).

A qualitative study of family businesses by Ungerer and Mienie (2018) indicates an important need to develop an entrepreneurial mindset for the successors, or it will be difficult for the business to last till the next generation especially when the number of family members outgrows the dividends per member. To achieve sustainability, family businesses must adapt to new situations, and this mindset of the family businesses can contribute to trans-generational success (Basadur et al., 2013). Potential successors should be groomed to be responsible owners who act in the best interests of the business, the employee, and the community, from a young age when the incumbents and the board of directors should instill business awareness, knowledge, and values (Koeberle-Schmid et al., 2014). Competence development plan to groom the successors into ownership and leadership should be regularly assessed by the incumbents with the board of directors to provide a healthy challenge with a sense of discipline for the working family members of all generations (Koeberle-Schmid et al., 2014).

2.6. Communication practices and barriers in family business

Effective organizational communication is essential for organization to succeed by increasing employees’ engagement, keeping the employees’ understanding of the mission and objectives, and educating the employees about the relationships between changes and the requirement to adjust (Welch and Jackson, 2007). To achieve optimization in business results, horizontal communication is the most suitable method of communication, but in contrary businesses are more likely to use top-down communication and misunderstand information for communication (Welch and Jackson, 2007). Communication is not only limited through non-digital and digital media, but also daily face-to-face interactions (Anderson, 2005).

Larkin and Larkin (1994) emphasizes that communicating major technological change to frontline employees is most effective with interpersonal interaction between the frontline employees and the supervisors, while top management should ensure that their message are correctly interpreted by the middle managers. In family business, the role of power cannot be ignored and are closely linked to communication especially during succession. Most importantly, the complexed nature of the family businesses consisting of members with multiple roles, creating complicated relationships and centralized power to certain individuals (Haag et al., 2006). In most family businesses, the composition of top level management, with power to make top-level decisions, consists mainly of family members (Azoury et al., 2013). Nordqvist (2012) indicates that family business has an introvert orientation compared to other type of ownership due to the complex interconnection between family, ownership, and the daily operations. The challenge for family businesses is the management of communication and conflicts between non-family members and the working family members (Chua et al., 2005). The topic of communication of knowledge or the transfer of knowledge, from the incumbents to successors has been given research attention (Carrasco-Hernández and Jiménez-Jiménez, 2013).

The communication barriers between family and non-family members detrimental to the firms are trust, lack of psychological ownership and emotional attachment (Davis and Tagiuri, 1989; Miller & Le Breton-Miller, 2018; Mitnick, 1984; Oswald et al., 2009). A study of Swedish SMEs recognizes these communication barriers in family business: trust-related issues, time-related issues, lack of emotional connection between the two parties (Grystsaieva and Strandberg, 2016). These communication barriers result in the lack of or incorrect information transfer of topics such as R&D, succession plans, employees’ feedback on the successor’s performance, job security, resulting in a communication void (Grystsaieva and Strandberg, 2016).

2.7. Research questions

Previous studies suggest many factors affecting the family businesses’ sustainability and innovation and indirectly imply that communication plays a role. Nevertheless, the factors reviewed will not be effective unless efficiently communicated. There is a gap for the research on how family businesses can innovate and be sustainable without following the best practices, through a communication model or pattern that can encourage organizational innovation and sustainability. It is critical that the incumbent’s intent and the values he sets for the business is communicated to the successor(s), altogether with actions that correspond. Incumbents must professionally install confidence to the successors, while maintaining the key intrinsic values that the company holds since foundation. Therefore, the following research questions arises:

What should be communicated from the incumbents to the successors during succession for family business to achieve or maintain innovation? (RQ1)

What should be communicated from the incumbents to the successors during succession for family business to achieve business sustainability? (RQ2)

How should the incumbents, successors, and employees communicate during the succession process to achieve innovation and business sustainability? (RQ3)

3. Methodology

The framework developed from a systematic literature review suggests that organizational innovation and sustainability can be achieved through effective communication during the succession period; and communication barriers are detrimental to the family businesses’ innovation and sustainability (Somboonvechakarn et al., 2021).

3.1. Research design

A case study is a research method that studies a contemporary phenomenon within the setting, particularly when there are not clear boundaries set or when ambiguity occurs (Yin, 2003). It is also defined as an in-depth study about an individual, group of individuals or subjects of interest, which the final objective being to generalize over several units (Thomas, 2011). A multiple-case study allows the exploration of similarities and differences within and between cases, with replications of findings across cases as objective (Yin, 2003). Multiple-case study does not focus on conducting more individual case studies, but it is used as a tool to further develop or support a theory about the factors resulting in those similarities and differences (Hunziker, 2001). In multiple-case study, replication occurs in two stages: a literal replication stage where cases are selected to obtain similar results, and a theoretical replication stage where selection of cases serves a purpose of exploring, confirming, or disproving the patterns identified in the initial cases (Zach, 2006). Yin (2003) indicates that there are no mandatory rules about the number of cases required to fulfill the requirements of the replication strategy in multiple-case study, with six to ten cases being sufficient to support the propositions that the researcher initially set for, if the pattern of the results is observed. In order to reduce the selection bias, and challenges of
determining relative causal weights for variables, an approach of “assembling” or orchestrating cases to match the real-life situation, where factors across the cases are made as similar as possible and the variable of interest is made dissimilar, can address the challenges (Yamashita and Moonen, 2014). In this research, the author chooses the assembled multiple-case study as the method to conduct the research.

Triangulation method uses two or more approaches while conducting the research to achieve a more valid and meaningful data, giving more dimension and different perspective of the research (Flick, 2002). Patton (1990) defines triangulation as the use of multiple methods, data sources, or theories, in qualitative study to develop an in-depth understanding of a phenomena, and acts as a strategy used in qualitative research to validate through the convergence of information from different sources. The method utilizes different sources of data such as time, geographical location, and different source samples involved in the study, therefore data triangulation widens the perspective, increases the depth, width, and consistency in research proceedings (Flick, 2002). One of the most effective methods for understanding human behaviors and studying topics in depth is the in-depth individual interviews (Fontana and Frey, 2000).

In this study, the author chooses data triangulation method to conduct the research. The key factor in this study is the different people and their roles in the family business. Incumbents/founders, potential successors, and key employees with professional experience with minimum of two years’ experience with high level of involvement with two generations are interviewed. It is best to obtain qualitative data through semi-structured in-depth individual interviews with data triangulation method consisting of three groups: incumbents, successors or potential successors, and non-family members with experience with the family. The interview design is planned to gain multiple points of views, with different perspectives from both family and non-family members, regarding different topics from succession planning to an innovation history of the family businesses. The in-depth interviews are conducted individually, with the other two individuals to be interviewed from the business being absent to accurately obtain meaningful data of sensitive topics such as the communication barriers, and unshared information between family and non-family members, with the reasoning behind them. All interviews are conducted face-to-face.

3.2. Sample case selection

This research aims to go in depth with the subjects not commonly discussed in the day-to-day business operations, and kept confidential for the research topic only. The sample size for the qualitative study was nine family businesses in manufacturing sector. The information obtained from these businesses will be analyzed and categorized by themes, mood and tones of the interviewees, and also the stories and anecdotes that each interviewee is willing to share.

The criterion for the samples is the family businesses that have gone through or in the process of succession, with potential successors having key management roles in the business. These businesses should have at least one successful implementation of innovation: product, service, business model, or reinterpretation of the old knowledge and turning them into something novel and useful as described as Innovation Through Tradition model (De Massis et al., 2016) while carrying the same values and business cultures. The term “innovative” is defined as something novel, useful, and commercialized or accepted by most users (Amabile, 1988). The innovative products and/or services can be from the incumbents, or changed by the successors but keeping the same values from the incumbents. Thai Small and Medium Enterprises (SMES): According to Ministerial Regulation of Thailand passed on January 7, 2020, as for the manufacturing sector, the total income for small enterprise should not exceed 100 million Baht with not more than fifty employees, and for the medium enterprise the total income should not exceed 500 million Baht, with not more than 200 employees. The data will be averaged from the past three years accessible via the database of the Department of Business Development, Ministry of Commerce of Thailand.

3.3. Participants interviewed in the study

Table 1 demonstrates the nine family businesses participating in the qualitative interview. Their basic information is also provided in the table. As Table 1 shows, the nine companies either have innovative outputs, or have been pioneers of new products in the market. According to the company size and income, the nine companies fit the term small or medium enterprises according to the Ministerial regulation, with two small enterprises and seven medium enterprises. The years since establishment range from 21 to 91, and all the businesses have at least the second-generation successors in key managerial positions or in full control of the business. Two out of nine family businesses have established family governance. Lastly, only one business has professional managers.

Table 2 lists the participants from the nine family businesses. Nine incumbents, nine potential successors, and nine non-family working members of the businesses, are interviewed individually. The interviews ranged from 30 min to 3 h. The longest interviews are usually conducted with the incumbents since all of them are very open to sharing experiences and stories contributing to the research.

The questions for the interview are set up according to the theme discussed in the theoretical background including: an individual’s understanding of the business’ history, his/her roles, involvement; key changes and crisis management; professional managers; innovation management; core competitiveness of the business; the core values of both the family and the business; relationships between family members as family and colleagues; relationships between family and non-family members; what is the key intrinsic message for the customer when he/she purchases a product from your company; and the presence or establishment of family governance if any. As the interview progresses, the questions are adjusted according to the flow of the conversation in which the interviewees are not interrupted and encouraged to speak honestly with no time limit.

3.4. Data analysis

The qualitative data analysis is not only conducted at the final stages of the research; however, it is an activity that continues throughout the project. Although the data analysis is not formally conducted during the initial stages of the research, the author has planned to make sense of the process, what to code, how to code, and put them in categories and themes. The objective of the data analysis is how to best portray the phenomena experienced by the participants by interviewing them. The data for the study is collected at nine innovative family SMEs in manufacturing sector, by individually interviewing in-depth of a total nine business incumbents, nine business successors, and nine non-family employees who has worked for both the incumbents and the successors.

Content analysis is used to determine the presence of themes and concepts within the data. The strategy used to analyze the data are to report results in terms of themes identified in the literature review, and suitable and selective quotations are presented to the readers. Not all quotations are necessarily presented to avoid repetitiveness in the research paper. The themes and concepts are pre-defined, as in the literature review, as follows: organizational innovation, social capital, ability to innovate through tradition, succession process, business sustainability, and communication with emphasis on communication barriers between the three groups. Relevant phrases, sentences, and themes are also carefully examined with the theories and themes discussed in the literature review. The analysis strategy for this research allows flexibility to observe and add more themes through the coding process, and not just to focus on the themes identified in the literature review. The following analyses are carried out: listening to the 27 recorded interviews, transcribing the 27 interviews, summarizing the transcripts, choosing the themes, select suitable quotations to best represent the themes, and generating a theory or a model. Table 3 summarizes the themes and sub-themes for the data analysis, with the key observations to be made by the researcher during the data analysis.
In this research, there are ethical issues to be considered. Participant confidentiality and businesses’ sensitive information such as trade secrets, internal disagreements and conflicts, and past failings, are of special concern especially in the qualitative interview. There is a possibility of accidental disclosure of confidential or sensitive information. The interviewees are informed that sensitive information can be omitted from the research at their will, they are not obliged to discuss all the interview questions, and that the names of the businesses will be changed if the interviewee’s request so. A confidentiality agreement would also be signed between the researcher and the participants, if requested by the participants formally.

Conducting social science research in Thailand is not subjected to clearance under institutional practices and national legislation. Only sensitive scientific and medical experiments, for example animal or clinical trials, require ethical approval. However, the study in this research is voluntary, and the author receives permission and consent from all the participants to share the data publicly. A representative of each firm, altogether with the author, signs a consent form to participate in this research.

4. Results

In this section of discussion, the results from the in-depth interviews are separated into five main themes that should be communicated during succession: organizational innovation, social capital, ability innovate through tradition, succession process, and business sustainability. Another important theme that should be discussed is the communication barriers, which can hinder the business’s innovation output and may delay a succession transition from the incumbent to the successor. From the transcribed interviews, quotations that are identified to represent the themes are analyzed. Table 4 is an example of a selected quotation of participant F.9.2. The unedited quotation is summarized and broken down into “condensed or summarized quote” which are categorized into different codes. As explained in Table 3, the codes are pre-identified in the “sample keywords/observations for coding” under a sub-theme. Once the coding process for all transcribed interviews are completed, a content analysis of each theme is summarized with the percentage of participants as shown in Table 5, which is an example for the theme “organizational innovation”.

### Table 1. Overview of businesses participating in the research.

| Business | Main Product | Experience (years) | Latest Working Generation | Family Shareholders (% Total Shareholders) | Average Income 2018–2020 (Million THB) | Average Profit 2018–2020 (Million THB) | Employees | Family Council and Governance (Yes/No) | In-House R&D (Yes/No) | More Than One Family Involved in Business (Yes/No) | Professional Managers |
|----------|--------------|--------------------|---------------------------|------------------------------------------|----------------------------------------|----------------------------------------|----------|----------------------------------------|----------------------|------------------------------------------|-----------------------|
| F.1 Herbal lozenges, with further development into oral spray. | 91 | 3 | 5 (100%) | 365 | 102 | 180 | Y | Y | Y | N |
| F.2 Pioneer for built-in stairs for real estate housing. | 45 | 3 | 4 (100%) | 177 | 9 | 100 | Y | Y | Y | N |
| F.3 Plant extracts, and original innovation manufacturing. | 22 | 2 | 2 (100%) | 209 | 36.8 | 130 | N | Y | N | Y |
| F.4 Small DIY furniture. | 21 | 2 | 2 (100%) | 57.6 | -5 | 45 | N | Y | N | Y |
| F.5 Processed tea leaves, with online consultation. | 68 | 3 | 1 (100%) | 85 | 3.6 | 60 | N | N | N | N |
| F.6 Illuminated advertising banners and structures. | 25 | 2 | 3 (100%) | 161 | 2.8 | 100 | N | Y | N | N |
| F.7 Original equipment manufacturing of cosmetics. | 35 | 2 | 2 (100%) | 28.3 | -1.85 | 40 | N | Y | N | N |
| F.8 Functional, and fashionable furnishable brooms. | 34 | 2 | 3 (100%) | 23 | 0.5 | 120 | N | Y | N | N |
| F.9 Functional, and redesigned mortar and pestle. | 45 | 3 | 1 (100%) | 4.03 | 0.4 | 12 | N | N | N | N |

3.5. Ethical issues

In this research, there are ethical issues to be considered. Participant confidentiality and businesses’ sensitive information such as trade secrets, internal disagreements and conflicts, and past failings, are of special concern especially in the qualitative interview. There is a possibility of accidental disclosure of confidential or sensitive information. The interviewees are informed that sensitive information can be omitted from the research at their will, they are not obliged to discuss all the interview questions, and that the names of the businesses will be changed if the interviewee’s request so. A confidentiality agreement would also be signed between the researcher and the participants, if requested by the participants formally.

Conducting social science research in Thailand is not subjected to clearance under institutional practices and national legislation. Only sensitive scientific and medical experiments, for example animal or clinical trials, require ethical approval. However, the study in this research is voluntary, and the author receives permission and consent from all the participants to share the data publicly. A representative of each firm, altogether with the author, sign a consent form to participate in this research.

4. Results

In this section of discussion, the results from the in-depth interviews are separated into five main themes that should be communicated during succession: organizational innovation, social capital, ability innovate through tradition, succession process, and business sustainability. Another important theme that should be discussed is the communication barriers, which can hinder the business’s innovation output and may delay a succession transition from the incumbent to the successor. From the transcribed interviews, quotations that are identified to represent the themes are analyzed. Table 4 is an example of a selected quotation of participant F.9.2. The unedited quotation is summarized and broken down into “condensed or summarized quote” which are categorized into different codes. As explained in Table 3, the codes are pre-identified in the “sample keywords/observations for coding” under a sub-theme. Once the coding process for all transcribed interviews are completed, a content analysis of each theme is summarized with the percentage of participants as shown in Table 5, which is an example for the theme “organizational innovation”.

4.1. Organizational innovation

Most businesses participating in the interview have breakthrough products coming from the first or second generation that still exist and excel in the market in the present, with seven out of nine businesses still have the products launched since the first generation as their product champion. However, the successors are highly focused on having the whole organization on board, with all nine successors mentioning that they focus on making the process as lean and efficient by involving the whole organization or creating positive habits. All nine successors can...
explain the products: from the history of the products, the concepts, minor and major modifications, and the science behind the products even some of them do not have scientific backgrounds. For example, F.1.2, whom his late grandfather and father have been very successful selling just one product, has a goal of lowering the cost of the human process by having a lean workflow, a more practical documentation system to minimize inconsistencies, and puts a heavy emphasis on his staff: “My experience from a multi-national company before returning to the family business allows me to have more empathy, that what an employee needs is not just about compensation. The happiness indicator for me is the involvement level in the company. I encourage meetings for all levels. Of course, I understand that they are from different backgrounds, so the supervisor of each level must know the purpose and what to expect at each level of the meeting.”

It is important for the firm to identify the resource for innovation, or the lack of it. All nine business incumbents and successors mention either the lack of technological tools, or lack of human resource in both quantity and quality as the main driving force for change. F.2 was a firm with five background staff members, handling 100–150 million Baht of income annually, until F.2.2 enters the family business: “I saw this as a bottleneck. There were 100 skillful production staff, however the administration team was seriously understaffed. I tried bringing in more people, and drive the company in the right direction.”

Six out of nine non-family employees from the participating businesses identify that motivation from the management, either intrinsic or extrinsic, plays a key role in their productivity or creative output. Creative staff of family business, such as F.3.3, a R&D executive, explains how the resources and motivation from the business help: “Since both generation of owners have strong academic backgrounds, they make sure that knowledge is accessible, such as the latest textbooks in herbal extraction technology. It makes my job easier to make the right formulation. The company also sends us overseas for the conference and expos that we request, which helps our job. We also get bonuses if our formulations get into the market.”

4.2. Social capital

All nine businesses have the first known generation immigrated from China during the Chinese Communist Revolution. From all participating incumbents’ accounts, their first-generation ancestors suffered through severe hardship during illegal immigration, getting small jobs, persevering for savings, and finding opportunities to start their own businesses. Four out of nine businesses have the first-generation immigrant as founders of the business (deceased). All participating incumbents feel indebted, and appreciative of their parents’ hard work: since all of them started off poor so they always saw their parents working. This forms the core value of “hard work”, “honesty”, and “perseverance”, in all nine participating businesses. The social capital for Thai businesses with Chinese background stems from these three values.

Shared stories of the business founder’s hardships can motivate the successors psychologically. Six out of nine successors have directly experienced the hardship of their successors, and all of the participating successors have heard stories about how their parents, and founders have managed to keep the businesses during difficult phases. F.1.1’s father, and F.1.2’s grandfather, the founder of the business, experienced a heartbreaking situation when he did not have enough money to take refuge to Thailand with his wife during the Chinese Communist Revolution, while a friend offered to buy his first-born son for a sum of money. It was
heartbreaking for both the husband and wife, but they had no choice but to accept the offer to start a new, and safer life as told by F.1.2: “This, to me personally, is an act of the sacrifice from my grandfather to the whole family. Without doing that, I would not be living comfortably today. It is why I am so deep into the family business.”

The difference in the stories that the successors hear from the incumbents are not the hardships their incumbents face, but some incumbents do not explain in details why certain things are done a certain way, the emotional reasoning behind their actions, and the emotional state or dilemma that they have to face. F.2.1, the first-born son of his business, is an introvert who develops a quiet and calm leadership. Loved by all his staff for his approachable and kind approach: “I used to go to China with my father, F.2.2’s grandfather, to visit his old families. It is a duty for all Chinese immigrant to go back home when you become successful and give back to the soil you are born. You take care of the town and the family you left. My father-built school, renovated his relatives’ homes wholeheartedly.” When asked if this has been communicated to his son, he said that his son never asked and assumed that he would know by himself. F.2.2 develops a different style of managing his employees: “My father, F.2.1, takes every matter personally. I love the business, but I do not wish to pay attention to small personal details. Therefore, I make the incentive system very clear cut, and manage the people more professionally.” When the staff is asked about the difference between the approach between the two generations, F.2.3, a senior sales executive with 25 years’ experience mirrors F.2.2’s answer: “F.2.1 pays a lot attention to details. He would know your father is sick, even you have not told him and that is why he is more like a father to all of us. F.2.2 improves a lot of the system, however many of us miss the intimacy when F.2.1 was in charge.”

The external network is also an important part of social capital. Customers, suppliers, and educational institutions are such examples. All nine incumbents mention that their relationships with their customers and suppliers have been important to their growth. Six out of nine successors start to expand the businesses’ social capital to educational and research institutions to gather more innovative ideas. It is also interesting to see that one incumbent particularly values her relationship with educational institution. F.3.1 used to be a dean of Cosmetic Science in a university in Chiang Mai, therefore she maintains a close relationship with the faculty, where she gets a good supply of her workforce. F.6.2 emphasizes on building trust with customers: “In the advertising board market, the most important thing is the material used. My customers would ask me which brand of aluminum composite is the best. What I did was to buy all seven brands of the composite available in the local market and conducted various tests and made a report of which is suitable for various conditions. The customers always give excellent ideas, what we need to do is to listen to them.”

### 4.3. Ability to innovation through tradition

All nine businesses do not just have the ability to innovate through tradition, but all of them have successfully completed the process either by giving their product champions new meanings to customers, or totally create new markets and usages for the existing products. F.8 and F.9 are very good examples of businesses that naturally innovates through tradition. F.8, whose manufacturing base is in Chiang Rai, exports handmade broom made from sorghum flowers and local bamboo. The sorghum flower has exceptional durability. F.8.1 who discovers the business by accident, sees an opportunity: “In Taiwan and Japan, the brooms they use are very durable. What they want is not just a cleaning utensil to just hide behind the house or in the storage, but they want to display it inside the house and make it a part of their homes. I saw the difference in treatment of a household utensil, so when my daughter (F.8.2) came back to help me, I wanted to make her get this concept through to the domestic market which was only 1–2% of my business.” F.8 then reinterprets the broom totally different for the domestic market. F.8.2 works very closely with the farmers, production personnel, and her dad, to understand and

| Theme                  | Sub-theme                                      | Sample keywords/observations for coding |
|------------------------|------------------------------------------------|----------------------------------------|
| Organizational innovation | Resource management | Deep knowledge of their own business. Understanding of their own human, financial, technological resources, and willingness to implement. |
|                        | Innovation management   | Ability to identify problems, bottlenecks, and areas to be improved. Knowing their own capacity. Allocation of resources. Implementing new ideas. Introduction of new processes. |
| Motivation              |                                                       | Employees’ attitude towards new product launch. Employees’ attitude towards new process implementation. Staff involvement. Meeting styles. Rewards. Encouragement. Praises. Attitude to work beyond the scope. |
| Social capital          | Internal network        | Relationships between the incumbents and successors. Relationships between the management and the non-family employees. Collaboration within the business. |
|                        | External network        | Relationships between the business, both management and non-family employees, and customers, suppliers, other external organizations such as educational institution, research institution, marketing agency etc. |
|                        | Shared stories          | Stories of founders. Stories of incumbents. Told from older generation to the younger ones. Impact of the stories on attitude, work ethics, and perception of the business. |
| Ability to innovate through tradition | Deep understanding of history | Knowing their products well from the raw materials, processing, marketing, and components of the products. Knowing the territorial knowledge, or business-specific knowledge. |
|                        | Applying modern knowledge and/or technology | Ability for the business to apply new knowledge and/or technology. Linking the individuals’ education and experience with what they apply to the products. Ability for the business to give the products new meaning for both old and new customers. |
| Succession process      | Psychological ownership | How the incumbents groom the successors into leaders. Look out for intrinsic motivation for the successors to succeed the business. |
|                        | Leadership grooming through formal and informal education | Existence of family governance. Family business structure. How the family business influences the successors’ education and work experience. |
| Business sustainability | Adapting through necessity | Shortage of supply. Sudden change in trends and regulations. |
|                        | Adapting through time   | Change in consumer’s behavior. Technology outdated. Change in consumer’s perception. |
|                        | Adapting through crisis | Economic crisis. Raw material crisis. |
|                        | Adapting through internal and external factors | Internal: Death of family members. Conflict between family members. External: (Necessity, time, and crisis) |
| Communication barriers  | Between working family members | What is not communicated between or within generations. Observe the difference in the content of the same topic, and the reasons for the difference. |
|                        | Between management and non-family employees | What is not communicated between the management and non-family employees. Factors for the lack of communication, both deductively and inductively. |
be able to send the message to the domestic market: “Since nobody pays US$20 for a broom in Thailand, I started out by making the brooms as fashionable as possible. They come in colorful themes such as Halloween and ‘Pinktober’. They also come in different sizes for different functions, like a Samurai dust-broom that customers can just fashionably put on the table. People like them, and from there we can start telling them that these are functional and are better functioning than the one they are using now. A mortar comes with a handle, and it has an opening to pour out liquid. A couple of designs have won local design-awards and people are willing to pay more for a set compared to five to ten years ago.

F.9.3 is a third-generation mortar and pestle maker. Based in Tak, a Northeastern province in Thailand, he redefines both the production process and the meaning of a mortar and pestle: “Mortar and pestle have always been an important part of Thailand. People make ‘Nam Prik’ or traditional chilli pastes made in every household using mortar and pestle. However, people do not know it is quite difficult to make a set. A set of mortar and pestle is hand-made from a high-quality and area-specific stone. Not everyone can make a set, and no proper machinery has been known to make this kitchen item. Since I have seen my family business making them since I was a boy, I bought a machine that people use for stone. Not everyone can make a set, and no proper machinery has been known to make this kitchen item. Nobody knows the manufacturing process, and the place of raw-material origin. No direct technology to manufacture mortar and pestle apart from manual labor with simple tools. Through trials and errors, with application from other industry, the business can increase manufacturing capacity and reduce waste. The waste is used to manufacture new products. Ability to create new user-friendly design. The new designs are value-added processes. Customers are willing to pay more.

Table 4. An example of transcribed interview in the content analysis process: sample quote from the transcribed interview of F.9.2 regarding his product.

| Unedited quote | Condensed or summarized quote | Code | Sub-theme | Theme |
|----------------|------------------------------|------|-----------|-------|
| Mortar and pestle have always been an important part of Thailand. People make ‘Nam Prik’ or traditional chilli pastes made in every household using mortar and pestle. However, people do not know it is quite difficult to make a set. A set of mortar and pestle is hand-made from a high-quality and area-specific stone. Not everyone can make a set, and no proper machinery has been known to make this kitchen item. Nobody knows the manufacturing process, and the place of raw-material origin. No direct technology to manufacture mortar and pestle apart from manual labor with simple tools. Through trials and errors, with application from other industry, the business can increase manufacturing capacity and reduce waste. The waste is used to manufacture new products. Ability to create new user-friendly design. The new designs are value-added processes. Customers are willing to pay more. | It is a traditional product, with functions familiar to everyone. Nobody knows the manufacturing process, and the place of raw-material origin. No direct technology to manufacture mortar and pestle apart from manual labor with simple tools. Through trials and errors, with application from other industry, the business can increase manufacturing capacity and reduce waste. The waste is used to manufacture new products. Ability to create new user-friendly design. The new designs are value-added processes. Customers are willing to pay more. | Know history of product, Understanding the process, Applying knowledge and technology, Applying knowledge and technology, Applying knowledge and technology | Deep understanding of history, Deep understanding of history, Applying modern technology, Applying modern technology, Applying modern technology | Innovation Through Tradition, Innovation Through Tradition, Innovation Through Tradition, Innovation Through Tradition, Innovation Through Tradition |

Table 5. Content analysis of a sample theme: organizational innovation.

| Criteria | Theme (Sub-theme) | Qualitative notes | Participants | Frequency | Percentage (%) |
|----------|------------------|------------------|--------------|-----------|----------------|
| Businesses have the products launched in the previous generations as current product champions. | Organizational Innovation (Resource management) | N/A because it is a direct question | 9 businesses | 7/9 | 77.8 |
| Successors focusing on process improvement | Organizational Innovation (Innovation management) | Keyword: new cultures, new habits, lean system, process improvement | 9 successors | 9/9 | 100 |
| Successors understanding the product history and being able to explain in detail. | Organizational Innovation (Resource management) | Look out for the participants’ ability to explain their products in detail. Cross-check their education background to observe if the explanations go beyond their background knowledge. | 9 successors | 9/9 | 100 |
| Ability for the management to identify the problems and focus on the problems to start innovation. | Organizational Innovation (Innovation management) | Keywords: Bottlenecks, shortage of staff, imbalance between two departments, no automation, too much manual work, overload in one department. | 9 incumbents and 9 successors. Total of 18. | 18/18 | 100 |
| Ability of the management to provide intrinsic motivation to the employees to innovate. | Organizational Innovation (Motivation) | Keywords: We are noticed, our inputs are important, our needs are met, they encourage us, not just money and rewards. | 9 employees | 6/9 | 66.7 |

Business sustainability is about maintaining the business existence, and continuity. For family business, to be sustainable is to survive and grow, through various crisis such as incumbent’s death, economic crisis, natural disasters, pandemics, and family conflicts. All nine businesses, given the length of their operation since founded, have gone through at least one major crisis in their business lifetime.

4.4. Business sustainability

Business sustainability is about maintaining the business existence, and continuity. For family business, to be sustainable is to survive and grow, through various crisis such as incumbent’s death, economic crisis, natural disasters, pandemics, and family conflicts. All nine businesses, given the length of their operation since founded, have gone through at least one major crisis in their business lifetime.

To achieve business sustainability, not only family businesses have to adapt to the external factors such as economic crisis and pandemic discurses, but also internal factors. Three out of nine businesses have gone through sudden loss of the family members in charge of running the business. F.5.1 and F.5.2 are the brothers co-owning an almost decade old tea-leaf company. Their father unexpectedly died before the grandfather, and then their grandfather died unexpectedly of cancer six years after their father’s death. According to F.5.1, they were challenged by the suppliers: “We did not know the scope of work in details. This was a first
job for both of us. Our suppliers challenged us after our grandfather’s death by sending us lower quality tea leaves and mixing them up between the good ones not expecting we would catch them. We took a long time before developing the inspection system, which is the most critical system for our company now. It was very tough, but that made us stronger.”

The unexpected loss of family members also occurs to F.4, and F.7, which according to F.4.2, “made them very tough mentally”.

Seven out of nine businesses have been in business long enough to have experienced at least one economic recession, most notably the 1998–1999 major recession in South East Asian countries. F.1, F.2, and F.8 started to look for more local raw materials to stabilize their costs, while F.5 and F.9 started to lean up their processes as their strategies to adapt to the crisis.

F.8 and F.9 adopt their territorial knowledge to the modern market, turning common household items fashionable without losing their functionality. F.8 increases their domestic sales by more than 100%, while F.9 increases their export sales at the same margin, exceeding their targets.

4.5. Succession process

Two out of nine businesses have successfully set up a proper family governance with an assistance of external institution (F.1, and F.2), with an official succession plan and wealth management. It is not out of no reason the two companies decide to get external help: F.1 has many non-working family members who get the financial benefits of the company unfairly, and F.2 has its first-generation passing away before dividing his assets, both personal and corporate wealth.

Although seven out of nine businesses have not successfully set up a formal family governance with formal succession planning, the seven successors have successfully taken over the businesses with psychological ownership and leadership with at least one working family member acting as their informal mentor. Five out of nine successors graduated from universities overseas. The succession process includes a transfer of leadership and ownership to the successor. Ownership is very psychological. A successor needs to see the intrinsic value of the company and it can only be groomed from the older generation. Leadership is something a successor must earn from the incumbent and the business. F.7.2 learns it a hard way, with his father passing away with lung cancer: “My cosmetic manufacturing company has always been my parents’ dream, especially my father. He passed away during the final phases of the factory building. We used to run a large local store with other factory manufacturing for our brand. So, it was tough to have the factory running without my father’s help. I remember how he manages everyone, how he leads his people. I miss him dearly.” F.7.1, F.7.2’s mother, groomed her sons by formal education with one being a medical practitioner (F.7.2) and one a chemist, so they could continue the cosmetic business: “My late husband and I thought it was best to give our children the best and suitable education. They would come back to work eventually, since they have seen us waking up to open our store and interacting with customers. They go to school to learn what we cannot teach, and what school cannot teach, they learn about values, honesty, and hard work at home.”

Most families have two parents to groom the successors. F.4 is a small DIY furniture business, founded and started by a single mother (F.4.1) who owed 127 million Baht debt to the local banks. Her husband left both the old business and the family of three children to F.4.1. She took almost fifteen years to pay off her debt and what is so unique about the firm is her decision to pass on her business to her youngest daughter (F.4.2): “I have two sons and a daughter. When I just started, I asked my kids to help me in the factory to get extra pocket money, or they get nothing. Only my daughter volunteered. Since then, I always bring her every-where: classes, business meetings, and work. I finished my master’s degree at 47 years old, and you know what, my friends all know her. I believe she stays with me long enough to absorb the scope of my work and the type of leadership she needs to have to carry on the business. I just know she will succeed.”

4.6. Communication barriers

The ability and willingness of successors can act as communication barriers for innovation and sustainability during succession. The ability does not always refer to the successor’s personal capability, academic achievement, career achievement, or his ability to manage the family business. The ability can also refer to his capability to capture the hearts of his staff, especially those who has worked for his incumbent. All nine non-family employees express positive attitude towards both the incumbents and the successors’ treatment towards employees, their leadership style, and their abilities. However, seven out of nine non-family employees say that the difference between the treatment towards employees, and leadership styles between two generations are very distinct. F.2.3, a senior executive with 25 years’ experience, expresses the differences between the two generations: “During the old days, there were employees lining up in front of the CEO’s office during the break just to discuss with him their personal problems and hope that he can solve them. There are none of that now, but we get more clear-cut benefits. A lot of us miss the old days where we know the boss was the person we go to war for. It is good now, I do not say it is bad, but it is different.”

The incumbent’s conflicting intention and action can be a psychological barrier for the successor. Eight out of nine successors mention that at some point in their professional life in the family business, there has been conflicts between them and their incumbent. However, all nine of the incumbents are full of praise of their children. F.6.1 is full of praise of his son, F.6.2: “I could never be prouder of him as a successor. I can say if I retire now, the business is in good hands.” However, F.6.2 does not feel this way at many points in his days in family business: “My father never praises me. I have never done things right. There are always criticisms. He never does that to the staff, but only me, and I do not understand why.”

The employees of the business, if not open to new ideas, or being passive aggressive to the new generation, can also leave a huge communication gap during succession. All nine of the non-family employees agree that the successors bring new methods, ways to communicate, and ideas that are more up to date but need some time to adjust to. F.1.3, a secretary to both F.1.1 and F.1.2, emphasizes that there are a lot of differences between the two generations and a staff is the one who should adapt to both: “F.1.1 is very result oriented. When he orders a task, he just gets everywhere and tells them what to do, which gets things done very fast. F.1.2 lets us have more input, we must be ready to give ideas in meetings. He looks for alternative solutions to all problems. I cannot say which one is better, but as an employee, you must be able to work for all your superiors.”

4.7. Output of good communication during succession

With successful communication during the succession process, businesses will have positive outputs. Nine out of nine companies have successful tangible innovation outputs. Seven out of nine businesses have released new innovative products with the latest generation in charge of the business. Nine out of nine businesses have applied innovation to their processing, administrative systems, and customer relation platforms. Six out of nine businesses have reached new target customers with their already successful product champions.

Successful communication also leads to staff loyalty. Although nine out of nine non-family employees notice the change in management styles of the successors compared to the incumbents, none of them mention that the change is detrimental to the business. The successors tend to look at the employees’ welfare in terms of general well-being and how they should be rewarded, while the incumbents are more attentive to the employees personal lives.

The maintenance of core identity is also the result of good communication during the succession. All nine successors, when asked about the core values of the business, were able to mention the same things their incumbents did though they did not mention the same words and order.
The terms “honesty”, “hard work”, and “perseverance” are the most common values in all businesses. It is also worth mentioning that when asked the question “What do you think the customer is getting when the customer buys a piece of your product?”, all the incumbents and successors did not mention about the quality of their products, but the answers were more intrinsic:

“This broom represents the tradition of the northern people,” F.8.2 mentioned.

“The advertising banner represents longevity and guidance. The customer will be happy with it for a long time, and we as the manufacturer know that its purpose is not just for decoration,” proudly stated by F.6.1.

“The stairs are the most underrated part of the house. We know that when our customers do not have to fix or change them, we are doing our job well,” mentioned by F.2.2.

Good communication brings the highest commitment of the successors. Six out of nine successors know that they would be returning to manage the businesses since they were born, while the other three return with the request of the incumbent when they were working outside the family business. Nine out of nine successors mention that being the leader is an extra responsibility that they must work harder for.

5. Conclusion

This research set out to explore what should be communicated throughout the family business during the succession for family business to achieve innovation and maintain business sustainability, and what are the factors that will hinder the communication. The results from the in-depth individual interviews in the assembled multiple case study show that these following factors should be communicated during the succession process:

1) Organizational innovation in terms of resource management, innovation management, and employee motivation.

2) Social capital including the internal networks such as core values, shared stories, experiences during the turning points, and the external networks such as customers, suppliers, and educational institutions.

3) Ability to innovate through tradition, with deep understanding of the company and the products, while applying current knowledge and trends to the existing products.

4) Succession process, especially how to transfer the psychological ownership through generations, leadership through formal and informal education.

5) Business sustainability, with experiences and abilities to adapt through various internal and external crises.

The lack of ability and willingness of successors, the conflicting intention and action of incumbents towards the successors, and the staff openness to new ideas are key barriers of communication. With successful communication, the businesses will be able to have tangible innovative output, staff loyalty, maintenance of core identity, and committed successors up to run the business.

6. Discussion

6.1. A model of communication during succession

Drawing from the themes discussed and developed from the literature review, the results portray similar findings. The model of communication (Figure 1) during succession is developed from comparing the results of the assembled multiple case study with data triangulation, with the themes developed from the literature review (Table 3). From the results, Figure 1 summarizes the factors that should be communicated during succession, what are the communication barriers, and the output that successful communication achieves. Organizational innovation, the social capital of the family business, ability to innovate using the business’s tradition and territorial knowledge, succession plan and intentions, and business sustainability, are the key factors that determine the new management direction for the successors to start or maintain innovative output and business sustainability. Successors’ ability and willingness, conflicting intentions and actions of incumbents, and staff’s openness to the succeeding generation, are three key personal communication barriers during succession. Successful communication during succession leads to tangible innovative output, employees’ loyalty, business’s ability to maintain its core identity, and committed and willing successors.

Previous studies call for family business not being treated homogenously with non-family business with clear distinction of which stage of succession the business is in; how succession impacts the sustainability and longevity of the business (Beck et al., 2009; Ungerer and Mienie, 2018). This study treats family business as a specific group of business and investigates how it survives through the next generations via communication.
The results provide answers to the three research questions:

**RQ1.** What should be communicated from the incumbents to the successors during succession for family business to achieve or maintain innovation?

**RQ2.** What should be communicated from the incumbents to the successors during succession for family business to achieve business sustainability?

**RQ3.** How should the incumbents, successors, and employees communicate during the succession process to achieve innovation and business sustainability?

Organizational innovation occurs when these three factors are clear and well-balanced by the business’s directors and managers: resources to innovate, motivation, and innovation management skills (Amabile, 1988). A systematic review by De Massis et al. (2012) indicates that the involvement of the working family members has a positive correlation on the family business’s innovation input, activities, and output in the form of technological innovation. The continuous improvements from the participating family businesses, whether the innovation is an incremental process improvement or a radical product formulation, the working family members are heavily involved. Through formal education and work experience, the participating successors in the study bring in modern ideas with heavy emphasis on organizational structure leading to process innovation, and less labor-intensive administrative work. This is similar to the study of Ho and Chalam (2017) which the new generation of family business leaders in Hong Kong are sent to top international universities and gain experience at international management firms. The working family members are the one initiating ideas, being curious about the existing problems, coming out with the possible solutions, and testing out the solutions with the employees at various levels. The participating successors bring in an innovative work behavior into their businesses. Janssen (2000) defines innovative work behavior as the deliberate introduction and stimulation of new ideas at professional setting within groups, departments, or organization to increase performance. Organizational innovation is influenced heavily by the participating successors’ ability and willingness to lead. In the study of 404 family businesses in Indonesia, the impact of creative self-efficacy on innovative work behavior is increased directly with entrepreneurial leadership (Kurniawan and Tambunan, 2022). Communication about organizational innovation must also come from the employers, especially to request resources for innovation, or informing the working family members about the problems. Grytsaita and Strandberg (2016) identify the topics most likely not to be shared from the employees are: minor job-related problems, employees’ mistakes, and complaints about superiors. The communication model focuses on a two-way communication regarding organizational innovation between the working and non-working family members. The employees’ openness to the new ideas from the succeeding generations can hinder the communication regarding innovation matters. Organizational innovation can be communicated during succession from the incumbents to the successors, and also between the successors and the employees. This answers the research questions RQ1 and RQ2. During succession, incumbents should communicate their experiences regarding innovation management skills to the successors. F.3.1 has a close relationship with her daughter, F.3.2. During school holidays in her secondary school and university days, F.3.2 recalled that her mother brought her to the R&D center at the headquarters where F.3.1 conducted her research with the team, and to meetings with customers to discuss formulation planning for the herbal products. F.3.2 said that those experiences were helpful in her future works both directly and indirectly. The successors should also keep in close communication with the employees to constantly assess: 1) the physical, financial, and human resources; and 2) what motivates their employees intrinsically and extrinsically at departmental and personal level.

The succession of social capital is crucial for the family business to maintain its core identity and value through generations. Only when the successor totally understands the business and family history, then he can use the right technology, recruit the right employees that fit the business visions and missions, and manage the business for innovation output. As the results summarize, the participating successors have positive relationships with their incumbents, understand the past personal and corporate hardship, and able to maintain or in some cases, add to, the existing external social networks to build on their existing products. This answers RQ1 and RQ2 that social capital, both internal and external, should be communicated to achieve innovation and business sustainability. This is supported by finding of Carrasco-Hernández and Jiménez-Jiménez (2013) that positive social relationships within the business tend to generate a common innovation objective, and that successors need to adjust to the business’s social capital to maintain the incumbent’s visions. A more innovative-oriented culture is usually achieved when the later generation is involved in management of the business (Zahra, 2005), supporting the finding of Carrasco- Hernández and Jiménez-Jiménez (2013) that positive social capital between generations will lead to an innovation-oriented family business. The studies of social capital of family businesses suggest that positive relationships of the working family members, non-family members, altogether with a clear vision to innovate, and a business’s intention and action of the incumbents on the succession to their next generations, directly impacts innovation. The studies of social capital suggest that positive relationships of the working family members, non-family members, altogether with a clear vision to innovate, and a harmonious intention and action of the incumbents for the next generation to succeed, directly impacts innovation. The study of Gomez-Meija, Nunez-Nickel & Gutierrez (2001) finds that if the family business can adapt to using external social capital, the business can incubate and develop competitive advantage and positive reputation, strong relationships with partners, stakeholders, and within the family themselves, enhancing open innovation, which strongly supports the results in this research. Incumbents are encouraged to share stories with the successors, especially business-related history, hardships, and turning points. Kammerlander et al. (2015) find that stories should be family-focused, building a base on how the business originates, and why things are done a certain way in the family business. It is also notable that shared stories are the means of communication from the incumbents to the successors during succession to achieve both innovation and business sustainability (RQ1 and RQ2). Family business are encouraged to have co-creation type of communication, regardless of being open or closed co-creation, instead of a power-game type (Haag et al., 2006). Co-creation communication has harmony as the main objective, and it creates a shared understanding, bond, and history between members (Haag et al., 2006). The family members participating in this research, both incumbents and successors, use shared stories of their parents’ hardship and struggles as motivation for them to lead their businesses, and all the incumbents are exemplary figures of hard work and perseverance.

A family business that can innovate through tradition must be capable of reinterpreting its product or service to have new functionality or meaning (De Massis et al., 2016). For the later generations, to have an ability to reinterpret the existing product, the successors need to have a solid background knowledge of the existing product. They need to understand the thought process behind the innovation: how did my grandfather think of this, and why did my dad make a slight change here for it to be so popular among users? The incumbent needs to communicate this through setting up a business culture, derived from the long-lasting family values which will last from one generation to the next (Koeberle-Schmid et al., 2014). Aboca Co., Ltd, founded in 1978, blended the past knowledge of the European medicinal herbs with up-to-date biotechnology to create a well-received product line that provides alternatives to pharmaceutical products, with same efficiency but without side effects as the selling points (De Massis et al., 2016). In this study, F.1 and F.3 go through identical path with Aboca: F.1 innovates from their best-selling lozenges into oral spray using similar formulations, while F.3 standardizes herbal extracts for both medicinal and food purposes. All nine successors can explain the history, and even
the science or configuration, of the products clearly to minor details. This strongly indicates their ability to understand the products, their ability to learn from both their incumbents and related key employees, and willingness to learn from the people who make the products successful in the first place. In being able to give the products new meanings, new target groups of customers, and new functions, the successors can both understand the products, and able to apply new knowledge and skills to give the products incremental or radical changes. This strongly supports that to innovate through tradition, incumbents and employees play an important role in communicating and providing in-depth information with the successors for the successors to understand the territorial knowledge and their own businesses very well, which answers to RQ1 and RQ2.

The participating family business’s ability to adapt to different internal and external situation through difficult times, are crucial to them being sustainable. In most cases during the major turning points, the successors in the study have the first-hand experience altogether with the incumbents. This experience acts as a development of the successors’ entrepreneurial mindset to innovate and adapt to different situations. Without the entrepreneurial mindset and ability to innovate, it is difficult for family business to grow and survive till the next generation (Ungerer and Mienie, 2018). Chua et al. (2003) finds that to achieve sustainability, family business must be adaptable to new situations, contributing to “trans-generational succession across generations”. Some family businesses adapt to new business models, or business model innovations to encourage sustainability (Schaltegger et al., 2012). In this study, some successors are able to find new target group of customers through different channels of communication. A change in business model not only can act as a facilitator of organizational and technological innovation but is also able to evolve to a strategic innovation for knowledge sharing, managerial and entrepreneurship platform, and restructuring of the value chains in a business (Chesbrough, 2007). An integrated model proposed by Schaltegger et al. (2012) to increase contribution to business sustainability consists of three strategies: 1) defensive strategy as in adaptation of the business model to current situation, 2) accommodative strategy as in improvement of the business model such as increasing the business visibility, branding, and attractiveness to existing and potential employees, and 3) proactive strategy as in redefining the business model by radically changing the core business logic and principles which is directly linked with the business reputation, branding, and product values. This provides an answer to RQ2, which asks what should be communicated from the incumbents to the successors during succession for family business to achieve business sustainability. The incumbents should provide their experiences of adapting through different internal and external situations that provide not just direct solutions to the past problems but also the mindset and reasoning behind their actions during those situations. For example, F.8 experienced an increase in demand which resulted in F.8.1 deciding to expand his manufacturing capacity by hiring a new tribal village in Chiang Rai. In acquiring a new tribal village as his workforce, not only F.8.1 had to educate the new village labor about the processes, but he also had to consider other factors such as cultural differences between the new and old tribal villages, fairness and equality of the corporate benefits between the two villages, and also the difference in skill sets as well. The experiences and the relevant factors leading to important decisions are what the incumbents should communicate with the successors.

Results indicate that the most important aspect of succession are the transfer of leadership and ownership. Succession of leadership and ownership start with grooming the successors. It is a lengthy communication process, which gives a clear distinction between a family business and a non-family business, where a CEO can be identified and approached. The grooming of successor into a business leader can be through formal education, and informal education such as work experience and family conversation. Incumbents need to have a clear plan early for the successors’ education, both formal and informal. Five out of nine successors went to universities overseas, following the trend noticed by Ho and Chalam (2017) that new generation leaders are now receiving international education and work experience. A lack of communication or grooming of successor can lead to a successor having no plan and no job description leading to boredom and frustration or, being put in a position too high too quickly leading to them losing credibility (Koeberle-Schmid et al., 2014). There is evidence that correlates the lack of innovation output beyond the third generation with the failures of family businesses, and this can be explained by the failure of successors to take psychological ownership or the entrepreneurship spirits that are the key success factors in the first two generations (Rau and others 2019). Psychological ownership and entrepreneurial legacy are nurtured since the early years of the successors through formal education, experience, shared stories, and upbringing, and these contribute to high innovation output, less investment in stabilizing the firms during succession, and more investments in innovation activities such as risk taking after succession (Duran et al., 2016; Rau et al., 2019). It is important for a successor to be a professional, wanting to be treated like a professional by the incumbent and the employees, and being recognized as professionals by the incumbents. The incumbent and successor must manage communicating trust-related issues, time-related issues, and beliefs and attitudes, both within the family members and with the non-family working members, delicately during succession (Grytsiaieva and Strandberg, 2016). A quantitative correlational research of family businesses in the United States by Nunnenmacher and Aguilar (2019) finds that family businesses do not last through the third generation due to a lack of succession planning, and a lack of trust between family members especially when family grows in numbers. The needs of the company, and the family must be well balanced, with trust and family firm’s identity being the most critical factors for succession planning to be successful (Nunnenmacher and Aguilar, 2019). Grooming successors into owners and leaders require not only communication from the incumbents, but also education and career planning. Ownership and leadership also depend heavily on and the successors’ ability and willingness. Therefore, it can be said that leadership and ownership should be communicated from the incumbents to the successors. This provides an answer to RQ1 and RQ2, though not as strongly as other factors.

It is notable to mention about the comparative relevance of the themes in the model. It is a challenge to make a statement that a specific theme is more relevant than another, since in all nine business cases, the themes of organizational innovation, social capital, ability innovate through tradition, succession process, and business sustainability, have causal and effect relationships. Each business has its own story, family background, faces different crisis, and are structurally different in terms. The relevance of theme is also difficult to analyze due to time-related issue, for example if a family business has a successful innovation since the first generation it will have more resources to expand its innovation capacity compared to a business with the innovations coming in the later generations.

7. Implications

7.1. Theoretical implication

This study fills the research gap of role of communication for innovation and sustainability in family business. The new communication model during succession explores the topics and concepts to be communicated throughout the business. It allows the incumbents and successors to maximize or alter the business’s structure, resources, systems, and protocols to be better understood throughout the firm. This study proposes a model for communication and creates a path for future studies in family business innovation, family business sustainability, and family governance in innovative business, for a smooth and meaningful succession with the business maintaining or reinterpreting its cultures, values, and traditions to the next generation. The findings and model of communication also lay a strong foundation for researchers to explore the topic in other nations or regions. Other interesting groups for the
same topic include large family conglomerates, SMEs in different sector, or even successful startups after the selling of the company. The idea of using the assembled multiple case study can also be applied in the future research of other family business topics, since the method allows the researchers to get more in-depth data from the specific groups.

7.2. Practical and societal implication

The family businesses are the main beneficiary of this study. With a successful implementation of the communication model, family businesses will have a better awareness in terms of communication of innovation management, social capital, innovation with their background knowledge as capital, succession, and sustainability. This study allows family businesses to better understand the technology, management, and innovation. The better management of the businesses’ internal and external communication promotes innovation and sustainability. Technological communication tools may be able to assist the communication, but the most important factors are the incumbents to have their intention and action aligned; the successors to be able and willing to succeed with the incumbents grooming; and the non-family working members of the business to be open for new ideas of management. Successful communication of the topics and concepts during succession should raise the standard and competitiveness of family businesses domestically and internationally. In order to achieve innovation after succession, a family business must not be only preparing for tangible factors such as resources and knowledgeable staff but must also be ready to deal with the intangible factors such as the incumbent’s inability to let go, the successors’ ability and willingness to lead the business, and the staff’s openness to the new management styles.

8. Limitations and future research

The interviews were conducted face-to-face during the COVID-19 pandemic, therefore protective measures, such as social distancing and wearing of protective masks, were enforced strictly. The participating family businesses had a choice of conducting a face-to-face interview or having a meeting via online conference application. All nine participating businesses are founded by the Thai Chinese families, which is a random occurrence not known by the researcher until all the interviews are conducted. Majorities of the family business literature looks at one topic or concept, such as succession planning, organizational innovation, and social capital. This study explores in detail the topics of communication in family business by both implicit and explicit means, intrinsically and extrinsically. The qualitative data and its significance in this study can be further examined by the family business and communication researchers using quantitative means. The same research method can be applied to different family business category, for example large family-owned public company. Future research can also compare the communication methods between two groups: family and non-family business SMEs, large and medium family businesses, and the family business going through its first succession and family business going through second or third succession. The findings can potentially lay a foundation for future research on various communication topics in family business in ASEAN and Asia. We hope that in future studies, many theories, empirical studies, and concepts will be originated specifically from Asia. As this research has only 27 total participants from nine sample businesses, the coding process does not require a software to do the analysis. However, for larger samples or research with has many themes, sub-themes, or categories, we recommend the adoption of software to do the content analysis. Software such as TAMS, QDA Miner, or MADQDA, among others are recommended. In using coding software for qualitative analysis, we also suggest the researchers to maintain closeness to the data, given that the software may shift the focus of the researchers to counting and quantifying rather than getting the essence out of the content, which is the focus of qualitative research. The implication of software may also be helpful in determining the relevance of themes comparatively, however, with more data from the participants such as time-related issues, and validation of the causal and effects of themes by the participants.

Declarations

Author contribution statement

Chanun Somboonvechakarn conceived and designed the experiments; performed the experiments; analysed and interpreted the data; and wrote the paper.

Tatri Taiphapoon, conceived and designed the experiments; contributed reagents, materials, analysis tools or data; and wrote the paper.

Pongpun Anuntavoranich, conceived and designed the experiments; and wrote the paper.

Sukree Sinthupinyo, conceived and designed the experiments; and wrote the paper.

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Declaration of interest’s statement

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Additional information

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