Organizational diagnostic factors in family business

Case studies in Thailand

Michita Champathes Rodsutti and Piyarat Makayathorn


Michita Champathes Rodsutti is the Managing Director, Management Psychology Institute, Pathumthani, Thailand. She is also a Lecturer at the College of Management, Mahidol University and a Consultant in Organizational Development areas. E-mail: michita@thaiboss.com

Piyarat Makayathorn is a Human Resource Officer, Thai President Foods Public Company Limited, Bangkok, Thailand. She is also a Master of Management student at the College of Management, Mahidol University. E-mail: Piyarat.M@mama.co.th

Organizational diagnostic factors are factors that need to be explored in order to understand existing strengths and weaknesses of the organization before any changes can take place. The purpose of the diagnostics is to give some clues regarding the existing organizational situation that can either promote or block the oncoming changes.

The process of organizational diagnostics usually starts with extracting factors from the best-practice organizational model and using these as guidelines for analysis. However, factors that are normally listed cannot cover all the aspects of every organization. Therefore, the objective of this research was to explore the organizational diagnostic factors in three Thai family businesses that are different from those quoted in the best-practice model. Participants in this study were nine experts who had participated in change management for new information technology (IT) systems in their businesses. The methodology used in this research, as suggested by Di Pofi (2002), was qualitative analysis by conducting in-depth interviews with all participants. The result found from the study showed that there were six diagnostic factors in Thai family businesses that were not the same as the model of change:

(1) communication;

(2) generation;

(3) ownership;

(4) family structure;

(5) politics; and

(6) national culture.

Moreover, these factors were mentioned by all participants as either enablers or barriers, that affected change management and had to be thoroughly analyzed before any changes were introduced in the business.

From the interviews, all participants mentioned communication most, as they indicated that communication could either promote or block the success of organizational change. Interviewees also stated that people in family businesses sometimes overlooked the importance of communication because they assumed that others thought in the same way as they did. This poor assumption created many communication problems in family businesses which would hinder the commitment to change. Furthermore, if the company employed some external change agents or consultants, problems in communicating with outsiders would also exist and these problems could block the coordination of the change. On the other hand, if all members were properly informed about the oncoming change, the

 VOL. 19 NO. 2 2005, pp. 16-18, © Emerald Group Publishing Limited, ISSN 1477-7282 DOI 10.1108/14777280510580690

“In a specific business like a family business, change agents especially, have to devote more time to organizational diagnostics process since there are lots of personal issues involved.”

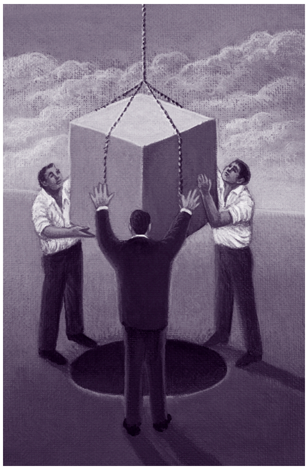
commitment to the change was multiplied and there was greater possibility that the change would be successfully implemented.

Besides communication, all interviewees mentioned generation as either an enabler or barrier to an organizational change. They stated that if the change occurred when the company was still in the first generation (run by the founder), the gap in power between the leader and employees would be less and hence the leader could influence others to change quite easily. On the other hand, if the change happened during a later generation, the power of the leader over employees would be considerably less because the respect for the leader still rested in the founder’s hand. This could create difficulties in change management, since the leader had no power to drive others towards change.

Another factor found in this study was ownership, which was considered as a factor that could encourage and discourage changes. As the participants said, when persons owned the company, it was likely that they would contribute their best to the change if that change could generate more profit/benefits, which in turn paid back their investment. This commitment was a healthy manner for the leaders, and could create successful change. However, if the owners could not balance their roles and degree of ownership in the business, this could destroy company direction, since the leaders did not know which role to perform and what priority to focus on (company growth or profit/benefits). This was the reason why, when a company was overwhelmed by the ownership system, the leader would be reluctant to invest more in change.

Family structure was another factor found from the interviews, as all participants mentioned that when family was involved in the business, the structure of that family could affect how the company operated the business and reacted to change. They also stated that the company with one simple family structure could manage change more easily because there was less internal conflict and the direction of the company was quite clear. However, if the family structure involved in the business was complex, there would be lots of issues that would generate some difficulties in operation and change management.

Politics and national culture were the last two factors from the findings that all participants perceived as factors that could block the success of the change in Thai family businesses. They concluded that a company with lots of politics issues could not manage change successfully since the people could not totally coordinate with each other. Moreover, some Thai cultures like respect for seniors and ‘‘*Kreng Jai*’’ (try not to hurt or bother others) could also make people keep silent or not show their disagreement against seniors. This could sometimes create latent conflict within the organization and this conflict would finally lead to failure of change management.

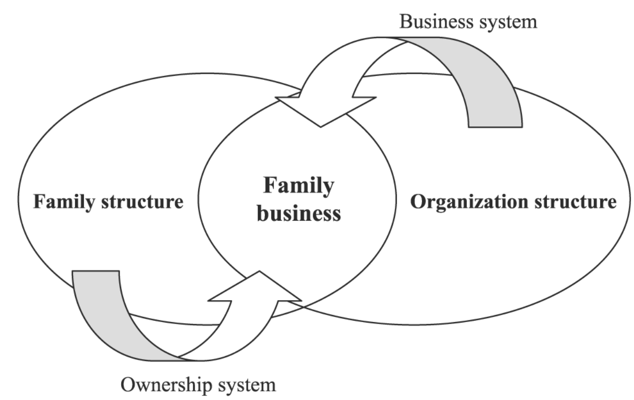


Recommendation

From the research findings, in order to find factors that will affect change management in the organization, the managers and practitioners have to explore factors that are beyond existing factors in the model of change. This is to prevent the failure in diagnostics that will finally lead to unsuccessful change management.

In a specific business like a family business, change agents (no matter whether internal change movers or external consultants) especially have to devote more time to the organizational diagnostics process since there are lots of personal issues involved. Moreover, the operation together with the decision making in family business, is usually

Figure 1 Assumption of relationship between family and business in the family business



distracted by the ownership system which can sometimes cause many difficulties in business management in a family business. Consequently, in order to manage changes in family business successfully, it is crucial that change agents understand the entire organization in its aspects.

From the six factors found in our study – communication, generation, ownership, family structure, politics and national culture – it can be seen that a family business is different from other businesses as it consists of ownership and business system within a single business. These two systems can also cause some overlap between the family and organizational structures (see Figure 1).

Therefore, in order to understand family businesses not only do the issues concerning the business need to be analyzed, but also other aspects of the family. How the family is structured, from what generation is the family leader and the degree of ownership involvement in the business, are also important aspects that should not be overlooked in the diagnoses. Moreover, another three factors found from the study: communication, politics and national culture, are also essential to Thai family business diagnostics as these factors represent another dimension that can affect change management.

By carefully analyzing all organizational factors found, change agents can set up an action plan according to the diagnostics in order to make use of enablers and reduce the impact of the barrier to change. The change agents subsequently develop a step change management implementation procedure.

From the results of the study, the step recommended to manage change in a Thai family business is to analyze family structure involved in the business.

Each family business has a different family structure, some family businesses are owned by one single family, which makes the ownership of family quite simple. On the other hand, family businesses that are owned by multiple families usually have quite complex structures. Therefore, by studying the family structure in a family business, change agents can estimate the degree of politics and ownership power in the family. Moreover, when the family structure is diagnosed, change agents will also know the generation of the leader and degree of power distance toward other members.Besides analyzing family structure, other recommendations and a process to manage change in a Thai family business will be proposed in the next issue.

Keywords:
Organizations,
Family firms,
Thailand,
Organizational development,
Change management

Reference

Di Pofi, J. (2002), ''Organizational diagnostics: integrating qualitative and quantitative methodology'', *Journal of Organizational Change Management*, Vol. 15 No. 2, pp. 156-8.