

The Characteristics of entrepreneur for Traditional Local Family Owned Business in Chiang Mai

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— *Review of* —
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ABSTRACT

This research is concerned on the study of the different characteristics between business founder and successor Nim See Seng Holding Group Company. The research aims to study the characteristics of business founder and business successors in traditional local family owned business in Chiang Mai, as well as to study key success factors of entrepreneur in family-run business. Questionnaire was used as a tool to collect data as well as in-dept interview through business founders and successors in family business. This research found that business founder and successor have different characteristics. The major top four characteristics of business founder are a high risk taking, high opportunity seeking, commitment to the work contract and persuasion and network. Furthermore, the major top four characteristics of business successor are high self-confidence, information seeking, persuasion and network and demand for efficiency and quality. In addition, the business founder identified that the important characteristics of entrepreneur are risk taking, learning, adjustment and relationship. The business successor also identified that the important characteristics of entrepreneur are education, courage, diligent and learning. However, the research demonstrated that the different characteristics are the key to success factors of family business but the misunderstanding of two generations need to be improved to work well together for their owned business.

Keywords: Entrepreneurial characteristics, Family business

1. INTRODUCTION

Family Business is the oldest business feature that can be found everywhere in the world. Family business is a feature of business that serves the need of living and generating financial strength for family. Therefore, it often starts with small enterprise before taking roles at national level, and then grows bigger and bigger.

Statistically, in many countries, it indicated that family business is vital to economics system. In Middle Eastern countries, Italy, and Spain, 95% of all business value come from family business. There are 80% in Germany and France, and 70% in the United States (Wiriyakulkit, Sirivanasandha, and Viriyarungsarit, 2009). Moreover, entrepreneurship plays a major role in economic development and entrepreneurs are driving the new economy (Carrie & Thurik, 2002). In Thailand, also it is believed that economic of the country is driving by entrepreneurs (Thechatakerng, 2012, 2009; Jansen et al. 2004; Van Stel and Carrie, 2002).

Despite family business is playing important roles in economic and income of each country, many family businesses are still facing problems. Over 90% of the business are

lacking of a clear succession plan (Usawas, 2010). For example, there is the oldest family business that can survive over 1,000 years. Kongo Gumi family was able to inherit the business down to the 40th generation on the business of building Zen and Shinto Buddhist castle and temple. However, the family's business in Japan has been closed down.

Furthermore, many obstacles and limitations are factors which influence on business establishment, operation, succession plan as well as the characteristics of business owner. Similar situation can be found in Thailand. Family business in the country is also vital to drive economic system. Most companies have administrative structure as family business. As indicated in Thailand's GDP, 90% of GDP comes from family business. However, limitation and obstacle are factors that influence on business establishment, operation, succession plan and personal entrepreneurial characteristics.

In Chiang Mai, a province in northern part of Thailand with strong traditional and rich culture, many family businesses are playing important roles in developing country's economic growth, trading, and investment. One of these family businesses is "Nim See Seng" which has rapidly grown and expanded recently. The family's businesses are logistics, warehouse for rent, cold storage for renting, forklift and crane for renting, leasing, hotel, avenue plaza, and so on. It is interesting that in a midst of variant business circumstances nowadays, many family businesses are looking for a way that will help them grow sustainably. They hope their businesses would be seen as successful and grown up for international business. However, that is not easy because of many problems and the major problem is misunderstanding between two generations, business founder and successor. This research is concerned on the characteristics of entrepreneurs in Nim See Seng Holding Group Company in which what are the most important entrepreneurial characteristics that lead "Nim See Seng" to its success and continue growing as today.

2. LITERATURE REVIEW

Several issues of the characteristics of entrepreneurs have been studied as follows:

Entrepreneurs that acquired the appropriated entrepreneurial characteristics are likely to achieve their business. As Frese (2000) mentioned about the "must have" entrepreneurial instincts, entrepreneurial characteristics should consist of 6 characteristics as follow:

1. Autonomy - it means the ability or expectation of entrepreneur to see and seize the opportunity.
2. Innovativeness - it means having new concepts of productions, services, or processes which could be applied to business' benefit.
3. Risk Taking - it means willing to take risk without knowing the result of achievement. Such as investing big amount of capital and asset to start business or loaning big amount of capital in case of not having enough budget for investment.
4. Competitive Aggressiveness - it means the strong desire to win the competition by giving all effort to do everything to be far ahead of competitors.
5. Stability and Learning Orientation - it means not being trembled by any business circumstance. And being able to learn from past experiences or situations appropriately.
6. Achievement Orientation - it means being struggle to find the path of success continuously focusing on the growth of success in the business.

Ruangkrit and Thechatakerng (2015) studied Characteristics of Community Entrepreneurs in Chiangmai, Thailand which focus on Tepsadej Sub-direct, Doisaket in

Chiang Mai. It is the new natural attractions that can be developed as a tourist attraction. This natural resource has been conserved by community for more than 100 years and areas are mostly agricultural areas. Moreover, most of community entrepreneurs sell their own productive and products that can be found in the area. This research aims to discover entrepreneurs' characteristics. Questionnaire was used as a tool to collect data through 113 entrepreneurs for this exploratory research. The analysis explains that most of entrepreneurs are engrossment, commitment, responsible for their jobs and highly risk takers. In addition, they were opportunism, have had their own goals set, seek for information, were well planned, follow up their jobs, control and evaluate their job, and were incredibly self-confident. However, the study demonstrated that they lack of persuasion and network which need to be improved to create their efficiencies in running businesses.

Sitthipongpanich, and Polsiri (2015) studied in Do CEO and board characteristics matter - A study of Thai family firms. The research examined which characteristics of family CEOs increase firm value and investigated which board characteristics are valuable in family-run firms. If family CEOs are young or have business expertise, firm value could be improved. Family CEOs who are in elite alumni networks lead to higher firm value. Age-diverse and politically-connected boards are beneficial to family CEOs. Family businesses are dominant players in global economies. Using the data of family firms in a setting of weak institutions resulting from a deficiency of market-based management skills, then ask which CEO and board characteristics matter? The involvement by family members as CEOs is a common practice in family businesses. However, the research find that family CEOs reduce firm value, indicating higher potential expropriation of minority shareholders or possible lower competency of family CEOs relative to professionals. The results show that such negative effects could be moderated by certain characteristics of appointed CEOs. Family CEOs who are young, have business expertise, or are in the alumni network lead to higher firm value. Interestingly, the presence of family CEOs with a doctoral degree is negatively associated with firm value, which is possibly caused by their interest in research or innovation-related strategies. In addition, boards of directors could be designed by controlling families to support family CEOs. The research also find that the value of family CEO-run firms improves if their boards of directors are diverse in ages and have political ties, showing the importance of board roles in providing advice and access to external resources for family CEOs. The analysis suggests a promising set of CEO and board characteristics of family firms in prolonging the survival of family-run firms.

In summary, we have reviewed the studies in this area, we summarized that the characteristics of a successful personal entrepreneurial characteristics (PEC) of successful entrepreneurs refer to the desired traits, which enable an entrepreneur to do what is expected of them and succeed in business. It is the combination of these characteristics that is required to enable any one to perform effectively as an entrepreneur. It is possible for people to develop these characteristics and succeed in their careers as entrepreneurs. Successful entrepreneurs have common characteristics, which are divided into three clusters; achievement, planning and power (Buiza, 2012).

1. Achievement Cluster

1.1 Opportunity seeking

This refers to the quality that enables the entrepreneur to see and act upon new business opportunities even in situations where other people see nothing but problems/hopelessness only. It also encourages him/her to seize unusual opportunities

for obtaining the necessary resources such as financing, equipment, land, workspace, technical assistance, etc, which will enable him/her to implement his/her business ideas.

1.2 Commitment to the work contract

This is the ability to accept final responsibility for completing a job for the customers. Customers expect entrepreneurs to perform and honour their commitments. It follows therefore that the entrepreneur should do everything possible to ensure that he/she fulfils the commitment with his/her customers. It means joining the workers to work with them to ensure that contractual commitments are fulfilled, the entrepreneur will do it.

1.3 Persistence

This is the quality, which enables the entrepreneurs to develop determination to have a thorough job done at any cost in terms of personal sacrifice. By doing this, the entrepreneur remains working towards the achievement of his/her set goals.

1.4 Risk taking

Entrepreneurs are people who prefer taking moderate risks. Before they commit themselves and their resources, they assess the risks that are associated with a business opportunity that they have selected, and their ability to manage them, the benefits that they will realise and the challenges that they will face from the venture to be undertaken. Entrepreneurs can earn profits as a result of taking risks and the higher the risks, the higher the profits. However, entrepreneurs will always prefer to take on those risks that they can manage.

1.5 Demand for efficiency and quality

This is the quality that enables an entrepreneur to do things that meet or surpass existing standards of excellence or improve on performance by striving to do things faster, better and cheaply. By doing this, the entrepreneur remains ahead of others, makes more profits and retains a growing market share.

2. Planning Cluster

The planning cluster is made up of the following characteristics:

2.1 Goal setting

This refers to the ability of an entrepreneur to set clear and specific goals and objectives. These goals and objectives are normally high and challenging but at the same time, realistic and can be attained, given the resources that one has got at his/her disposal.

2.2 Information seeking

This is having the urge to look for the required information in order to make an informed decision, for example, selecting, starting and successfully managing the desired business. This calls for the concerned person to personally seek and obtain information regarding customers, suppliers, competitors as well as any other relevant information that is required to enable the entrepreneur make decisions and improve knowledge on his/her business.

2.3 Systematic planning and monitoring

This is the ability to develop plans that will be used in monitoring and evaluating the progress of the business. This helps the entrepreneur to carefully monitor his/her business' actual performance against desired performance and turn to other alternatives whenever the need arises; so as to achieve his/her set goals.

3. Power Cluster

3.1 Persuasion and networking

This is the ability to link, convince and influence other individuals, agencies and other groups in order to maintain business contacts at a high level. This will help or work for the cause of the business in a positive manner to accomplish own objectives.

3.2 Self-confidence

This refers to having a strong belief or confidence in oneself and the ability to complete a difficult task or meet a challenge.

Finally, 10 Personal Entrepreneurial Characteristics (PEC) of entrepreneurs are used to analyze target participants in this study.

3. METHODOLOGY

In this study, Personal Entrepreneurial Characteristics (PEC), a self-rating questionnaire is used to analyse target participants. The data were collected from two family business founders, and two business successors. The study also used in-dept-interview for gathering data from both business founders, and business successors.

4. FINDING

The findings of the study are shown as follows:

According to the self-rating questionnaire, Personal Entrepreneurial Characteristics (PEC) of successful entrepreneurs refer to the desired traits, which enable an entrepreneur to do what is expected of them and succeed in business. Nim See Seng's successful entrepreneurs have common characteristics, which are divided into three clusters namely achievement, planning and power. The figure below defined score that below 12.5 as weak and above 12.5 as strong which can be seen as below. According to data from figure 1, they can be analyzed as following:

1. Achievement Cluster

1.1 Opportunity Seeking - business founders have higher score due to they were not born in rich family and they had to grab every opportunity they have in order to survive. So, with the circumstance, they would always look for opportunity.

1.2 Commitment to the work contract - business founders also have higher score due to tough circumstance. If they did not keep their words, they would loose their credit and it would be difficult to regain.

1.3 Persistence - Both generations' score are almost indifferent in this characteristic due to "Persistence" is a family code that the successors were taught since they were young.

1.4 Demand for efficiency and quality - for this characteristic, again, the score of both generations are almost indifferent because the founder tried to convey the concept to gain credit for their business.

1.5 Risk taking - business founders have very high score for this characteristic due to their circumstance when the business established was not so easy. They had to put everything they had to make it happen like they had nothing to **lose** while successor has score in moderate area as they calculate the risk before taking it.

2. Planing Cluster

2.1 Goal setting - business founders have higher score as they started the business with clearer goal of having better lives and also they set the goal for their children to follow their path which not to going backward.

2.2 Information seeking - in this item, business successors have more score due to their skill and technology. Later era with computer and internet, it makes their lives a lot easier to find any information.

2.3 Systematic planning and monitoring - the score of both generations are in the same range. Successors have a little bit higher score due to the education the founder

provided for them. The founders create tools to manage everything from their experiences but the successors implemented from their knowledge from education and adapted with the experiences of the founders.

3. Power Cluster

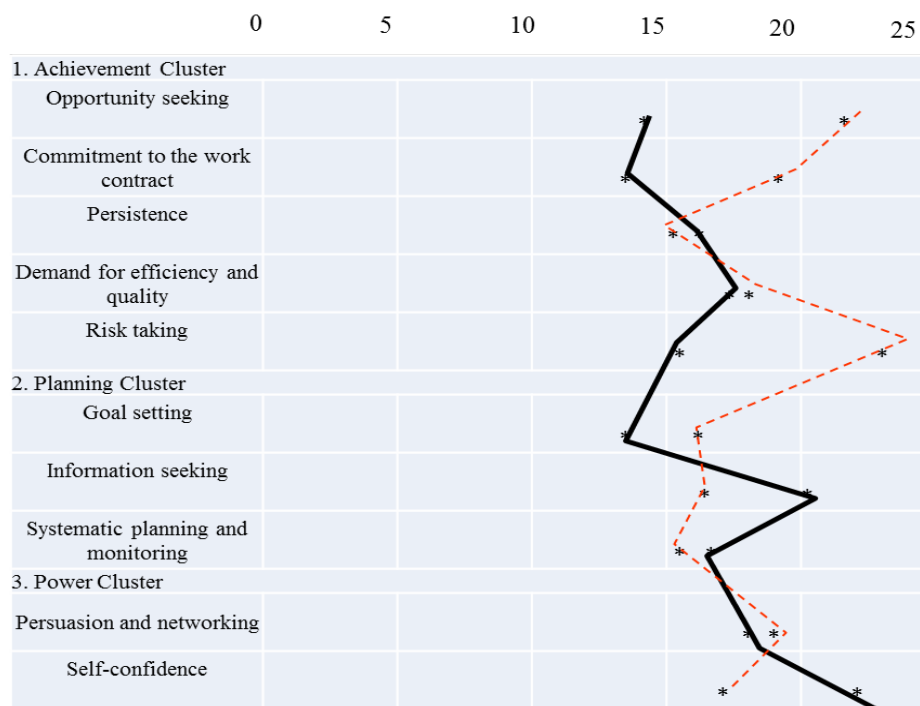
3.1 Persuasion and networking - the score of both generations are not significantly different due to they are in big family. They had to help and learn from one another which made them understand the differences of others. It leded them to have persuasion skill as well as networking.

3.2 Self-confidence - the score of business successors is significantly higher than that of the founders due to the time the successors growing up, the business' reputation was well known in local already. There was no doubt the successors were proud of their business founders. And when they fully become parts of business, they gain a lot more confidences.

Moreover, according to the in-dept-interview of the business founders, the essential entrepreneurial characteristics for family owned business are risk taking - they take risk in order to invest and keep the business running, learning - they gather information and learn everything relevant to how to survive in the business by keeping ahead from competitors, and adjustment and relationship - they adjust and adapt into changing circumstances including creating good relationship with their stakeholders.

However, in-dept-interview of business successors indicates that the essential entrepreneurial characteristics for family owned business are education - appropriated education is needed for running family owned business, courage - dare to think and act anything that they belief it will help improve the business, and diligent and learning - they think they must be diligent, patient, and keep learning even harder than others.

Figure 1: Personality Characteristics of Entrepreneurs



- * business founder _____
- * **business successor** - - - - -

5. SUMMARY AND CONCLUSIONS

The study reviews on the frameworks developed by Buiza (2012), it found that business founder and successor have different characteristics. The major top four characteristics of business successor are a high risk taking, high opportunity seeking, commitment to the work contract and persuasion and network. Furthermore, the major top four characteristics of business founder are high self-confidence, information seeking, persuasion and network and demand for efficiency and quality.

In addition, as on the frameworks developed by Frese (2000), the business founder identified that the important characteristics of entrepreneur are risk taking, learning, adjustment and relationship. The business successor also identified that the important characteristics of entrepreneur are education, courage, diligent and learning.

According to in-dept-interview, Nim See Seng is now confronting with some organisation problems such as high rate of turn over and conflict due to different administrative point of view. This is because the business founder does not fully succeed the business to the next generation. Both generations involve with administrating the business with different point of view and possibly with different expected goal. They should focus more on improving characteristics in Power Cluster which are persuasion and network, and self-confidence. By mean of improving, it does not mean to have more score but keep it in balance. The successor seems to have too much confidence and cannot persuade the founder to fully succeed the business to successor. While the founder seem to be risk taker without enough information which makes the founder never fully trust the successor. The ambience of the organisation like this can be felt by employee who makes them feel the unstable of the organisation.

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