

Dangers of Gun-based Succession Planning

Morten Bennedsen, INSEAD Professor of Economics and Political Science | March 18, 2016



Succession plans for family firms only work with the buy-in of all members.

In 2014 one of the most notorious market operators in Bangkok, the Thammawattana family, signed a deal to end fifty years of bloodshed and infighting.

After spending the second half of the twentieth century turning a small food stall into a thriving multimillion dollar marketplace, matriarch, Suwapee Thammawattana, was an early victim of the murder and mayhem which came to plague her family. By the early 2000s shootings, abduction, suicide and decades-long court battles had torn the family apart.

While the Thammawattanas (who are the subject of an INSEAD **case study**) may be an extreme example of what can happen when the direction and leadership of a company is unclear, many family-firms have found themselves split by factional rivalry and lawsuits, leading to severe financial and reputational damage. In many cases these problems could have been avoided with the introduction of a long-term business plan and a clearly communicated (and accepted) line of succession.

The growth of a family enterprise

The Thammawattana family fortune, estimated at around Bt10 billion (\$US280 million), began in the early 1950s when Suwapee opened a simple food stand in Bangkok catering for officers and soldiers from a nearby artillery base. Using these military connections in 1955 she exited the restaurant and started a fresh food operation in the city's Saphan Mai area. The stand, which she named the Khi Tao market, expanded to include a growing number of small business owners who paid rent on a daily or monthly

basis. As the market gained in popularity it became a gathering point for local politicians campaigning for elections.

In the beginning Suwapee ran the operation with her second husband (and the father of eight of her children), Arkom Chatchaianand. But in 1966, she was left solely in charge when Arkom was shot dead alongside his mistress, during an attack by gunmen carrying military issue M16 carbines. Police believed a family conflict over the management of the market was behind the killings.

Under Suwapee's control, the business prospered for 13 years until 1979 when she agreed to let her first husband's younger brother, Bavorn Thammawattana, assist. It was a move she came to regret. Bavorn proved to be incompetent and she soon dismissed him. Within weeks of his dismissal Suwapee was shot in the back, leaving her paralysed and in a wheelchair for life. No arrests were made.

When Suwapee flew to the U.S. to seek treatment for her injuries, she left her eldest daughter, Kusuma, in charge. The decision proved deadly for Kusuma who was shot and killed while collecting rent. Bavorn and two accomplices were arrested and sentenced to death for the shooting but later released by the Thai Supreme Court.

Succession traps that can destroy a family

Following Kusuma's murder Suwapee returned to Thailand, and kept a tight hold of the leadership until her death from lung cancer in 1990 when the family found itself with no obvious successor.

While she was alive Suwapee had made a series of wills - seven were found among her possessions including two which were later identified as forgeries. In one of the wills her youngest daughter, Naiyana, was disowned. Naiyana's siblings agreed to put her back on the list of heirs. Two days later her body was discovered strangled, shot and handcuffed in a car in a rural town 129km away. The murder was never solved. (A year later Suwapee's eldest son, Therdchai, was abducted and presumably killed. Two policemen suspected of being involved were later found dead, one by gunshot and another in a car accident.)

Under the terms of the will that was finally accepted, the market and all 68 plots of land around the market zone were transferred to the Suwapee Thammawattanna Company. Samak Sundaravej (an influential political boss) was named executor. While the wills were being executed it was agreed that Suwapee's son Noppadon would run the markets while another son, Hangthong, was left ostensibly in charge of the family estate, a role he largely delegated to Samak.

Throughout the 1990s Noppadon, a U.S. business school graduate, improved revenues by increasing the market's income generating areas. During this period he fell out with Samak and Hangthong (an elected member of the right-wing Prachakorn Thai party) who, he alleged, were siphoning off family wealth to fund Hangthong's re-election and supply millions of baht in loans to party leaders. Samak, a beneficiary of one of these loans, was already under fire from some of the Thammawattana siblings for his negligence in executing the family estate. By 1999 a decade after Suwapee's death only 27 of the 68 deeds had been transferred.

By 1999, relationships within the family had deteriorated. Sick of the infighting and escalating disputes, Noppadon transferred the management of the market to his brother Parinya and sisters, Narumol and Kauengnit.

Family relationships hit crisis

In September that year the turmoil came to a head when Hangthong was found shot dead at the home of Noppadon and another sister Malika. Earlier that day the three had met a legal advisor to discuss the handling of the family's business and estate. Noppadon and Parinya, who were at odds before, now became bitter rivals. And the family quickly divided into two camps.

Like his mother a decade earlier, Hangthong left a controversial will which offered no long-term plan to unify the family and became the subject of yet another court case.

Between 2000 and 2015, Parinya continued to manage the market, after persuading Narumol and Kanuengnit to step aside. Meanwhile Hangthong's death, which was initially treated as suicide, was

opened to investigation at the insistence of family members. A Scottish forensic scientist supported the idea that he had been killed and Noppadon was charged, but later acquitted, of his brother's murder. Several autopsies and counter-autopsies later his death was deemed a suicide and Noppadon was reconciled with his sisters.

His acquittal opened the door to mediation. In 2014 after two decades of infighting, the family signed a major peace pact, dropping all 48 legal cases they had lodged against each other since 2002, in the hope of finding future peace and happiness. It was the end of a long, bloody and financially devastating saga.

Succession lessons for all family firms

The Thammawattana case is a fascinating, if somewhat brutal, lesson for all family businesses, not just those in risky or emerging markets. As a leader, when it comes to deciding your firm's future, it is not enough just to write a will. You have to have a long-term succession plan; and you must communicate this plan, for the direction of the company and its leadership, clearly, to all members while you are still alive. Further, you need to get, if not the support, at least the acceptance of all family members to avoid the will being contested after your death.

In family firms smooth leadership transition relies on the buy-in of everyone involved and their understanding that what is being done is for the success of the firm for the present and into the future.

***Morten Bennedsen** is The André and Rosalie Hoffmann Chaired Professor of Family Enterprise at INSEAD and Academic Director of the Wendel International Centre for Family Enterprise. He is also a contributing faculty member to the **INSEAD Corporate Governance Initiative** and is co-author of the book **The Family Business Map: Assets and Roadblocks in Long -Term Planning**.*

Read more at <http://knowledge.insead.edu/family-business/dangers-of-gun-based-succession-planning-4589#HWwSZqRtD8Zz1fz8.99>