

## CHAPTER ELEVEN

### ENTREPRENEURIAL GIANTS

#### INTRODUCTION

One of the biggest problems associated with studying entrepreneurial giants, is that these individuals often leave their entrepreneurial mode, and moved into a full term managerial mode. This is not to say that their firms don't introduce new products or services, but rather that they are usually no longer founding new businesses. Many Thai business persons are labeled as entrepreneurs because they control a business, rather than because they started one. This is also true in most countries. The line between the high level corporate executive and the founding entrepreneur is often quite fuzzy in the public's mind. Several of these will be included in this chapter, but more as a way to contrast them with well know business persons who have actually founded businesses.

In this chapter some of the more dominant characteristics of modern entrepreneurs will be discussed. The role of the family as an entrepreneurial agent will be examined, especially in the banking industry. Then, links between business and government, as a source of entrepreneurial advantage will be discussed. Obviously, in a country that is experiencing rapid economic growth, and which is characterized by a large number of state owned enterprises as well as large governmental projects, the intersection will be many. Finally, there will be some discussion of the major personalities, as a way to illustrate the variety of entrepreneurial personalities in the contemporary era.

#### **Family Entrepreneurs**

The role of the family in the entrepreneurial process is one aspect that is very important to the success of many Thai entrepreneurs. That is not to say that the family is not important in other countries, but these family connections are quite visible, and often clearly

acknowledged. Successful entrepreneurs are quite willing to cite the family and friends that were instrumental in them achieving business success.

When business is discussed it is often done so in a family context. Thus, while Thai's may refer to billionaires such as Potjaman Shinawatra or Premchai Kanasta, they tend to refer to wealth in family terms. Names such as Damnemcharvanit, Vongkussolkij and Leophairatana are associated with family wealth, although no individual may be among the top ten in terms of wealth in Thailand.<sup>1</sup>

These families also tend to be discussed in terms of the industries in which they operate. The modern giants are a reflection of many of the commercial successes discussed in earlier chapters, and some of these are a reflection of family success. Table 11-1 below indicates the industries attached to the 50 largest commercial families in Thailand.<sup>2</sup> In this way, it is possible to see the degree to which industries are often dominated by a small number of families. Inter-marriage, over time, acts to link these families in ways that are supportive of additional entrepreneurial activity.

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<sup>1</sup> \_\_\_\_\_ (Nov. 20, 1996). "Shinawatra Family Ranked Top in Magazine's Billionaire List." **The Nation**, Vol. 21 (47463).

<sup>2</sup> \_\_\_\_\_ (๒๕๓๕) สูดยอด 50 ตระกูลนักธุรกิจ. กรุงเทพฯ. โน้ตพับลิชชิ่ง จำกัด(Note Publishing Co., Ltd.)

**Table 11-1:** Number of families controlling the largest firms in Thailand

<b>Primary Business Interests</b>	<b>Number of Family's Represented</b>
Banking	10
Construction	1
Beer and Liquor	2
Pharmaceutical Products	4
Food (processed)	2
Retail	2
Real Estate and Land Development	6
Newspapers	2
Automobiles	2
Television	1
Consumer Goods	1
Mobile Telecommunications	1
Glass	1
Steel and Steel Products	2
Finance Company	1
Hotel	2
Entertainment	1
Sugar	1
Restaurants	1
Hospitals	1
Textiles	1
Electrical Appliances	1
Insurance	1
Trading Company	1

### **Exploiting and Re-exploiting Governmental Connections**

The links between business and government are very explicit, and they often explain the business success of Thai entrepreneurs. The government gets involved, at the national level, in a greater variety of commercial ventures than is true in many countries. Decisions about who will actually be awarded certain infrastructure contracts is often decided at the highest levels of government. This makes it important for business persons to establish links to politicians, and to often include them on their boards and support their political campaigns. Recently, success in business has been used to justify one's entry into politics, and many members of parliament achieve their commercial success before their political success.

Banking provides some unique examples of how links to the government help the process. Since banks require government charters, they must establish credibility with the relevant governmental officials. After that, maintaining good relationships with these officials is important if they are to continue operating under a favorable regulatory environment. Obviously the participation in the initial funding of the Siam Commercial Bank by Rama 5, represents a direct link, but later links between government and banking were no less visible.

One example of how this process unfolds relates to the experiences of Chuan Rattnarat (ชวน รัตนรักษ์), which are typical of a group that was able to use political alliances to their advantage, and then exploit the political misfortunes of these same politicians. Political connections appear to be (p.22) extremely important to these giant entrepreneurs. Chuan Rattnarat was the founder of the bank of Ayudhya and an earlier transportation company. He joined with Prapet (p. 23). When he came to Thailand, he started to work in water transportation and set up บริษัท ขนส่งทางน้ำ. There was a lot of competition in this area. To reduce this he set up a neutral company, that was designed to do this he gave Prapet some stock. Prapet was the deputy prime minister.

When Surit led the coup d'état, Prapat and Surit set up a new bank and invited Chuan to be one of the managers. This is a good example of a political tie that led to a commercial success. He later got a 25 year license for Channel 5 TV. Then he set up a new cement company, Siam City Cement. In each case, the cooperation of at least some segment of the governmental bureaucracy was needed for the business to proceed smoothly.

The experiences of Dr. Pridi, when established the Bank of Asia present another unique example of how the process works. Dr. Pridi was government official, when he established Thammasat University. After the University was established he decided to start a bank as a vehicle to invest the excess tuition funds of students. Accounting students worked

in the bank as a way to gain professional training.<sup>3</sup> Eventually, the bank prospered and became a vehicle to finance the political campaigns of Dr. Pridi, which resulted Prime Minister Phibul eventually forcing out him and his political associates, although he and another former prime minister, Kukrit Premoj were among the founding group of the Bangkok Metropolitan Bank.

More recently, links to banking have also permitted individuals to enter the political arena. For instance, Pin Cheunawan was the founder of the Bangkok Bank, and his son General Charchi Cheunawan benefited greatly from the family's wealth and was able to use it to establish two important political parties, the Chat Thai and Chat Patana, and to serve as the country's prime minister.

#### **Technology as an Entrepreneurial Model**

Being the first to market, with a new technology, can be a big entrepreneurial advantage. The same thing is true in Thailand. New technology has traditionally been a way to enter the ranks of the "super entrepreneurs." It also acts to create many additional opportunities for medium and smaller scale businesses.

During earlier periods access to royalty, especially the king and to other avenues through which money could be obtained, was extremely important. In the period beginning after the end of World War II, access to technology became more important. In this regard, European and Japanese technology came to the attention of post-war Thai entrepreneurs in different ways.

European technology tended to be sold directly to Thai's. In many cases this machinery tended to be associated with food processing or other agro-type businesses. In addition, Europeans seemed to prefer to sell machinery, rather than enter into joint ventures. There were many European joint ventures, but compared to the Japanese the number was

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<sup>3</sup> Sivasak, Sulak (Dec. 30, 1996). "Thailand's Man for All Seasons." *The Nation* (Vol. 24), p. A5.

small. This may be because the European firms had better means of informing the local entrepreneurs about the existence of their machinery, or had institutionalized the means of financing such purchases earlier than the Japanese. It may also be the European manufacturers did not see that the Southeast Asian, and particularly Thai market, would prove to be as lucrative as they did.

The Japanese, on the other hand, were more inclined towards joint ventures. Their ventures have usually been mechanical or electrical in nature, and while some of the distribution has been to the Thai market, most of the export production directly entered Japanese distribution channels. There has been a definite preference on the part of the Japanese to prefer the joint-venture to the direct sale of machinery.

A more interesting question from the entrepreneurial perspective is how one gains knowledge about the existence of these external opportunities. While it may be possible to go to European trade fairs, the notion that this information would be widely known in Thailand in the 1950's and 1960's is unlikely. It is for this reason that many Thai business persons spend so much effort and time searching out information and making business contacts capable of providing information.

The classical educational ties are extremely important. They begin at the high school level and continue on at the university level. While access to education plays the same role, in terms of higher-level degrees being seen as providing increased access to opportunity, making friends and establishing life-long contacts is seen as extremely important. Thai students are also more likely to establish permanent ties to faculty. Once they graduate, alumni connections become extremely important.

When a young manager begins his or her work career, joining business associations is extremely important. Joining local and foreign Chamber of Commerce Associations is one way links are established. Thais are also extremely aggressive about "connecting" with

other managers, especially senior managers, at their place of work. Links to government officials are also established, especially to those who work in ministries that may be useful for gaining future approval of their business ventures.

Many Thai universities have an educational program called the mini-MBA. One would think that these programs are directed towards individuals seeking to upgrade their technical business knowledge. However, most attendees indicate that they register for these programs to make contacts. Thais often attend mini-MBA programs at different universities, or multiple times at the same university to ensure that they have access to a wide range of contacts.

A more interesting form of establishing business contacts is through the establishments of share (แชร์) organizations. These involve a small number of business persons, about 10 to 16, each giving a sum of money to the share, usually about \$400 to \$800. Then the members of the share meet for dinner once each month. The treasurer pays the dinner bill from the funds collected. Once the original funds are exhausted, each member is required to instill a new supply of funds. The purpose of the share is to exchange information. Some Thais belong to ten or twelve of the shares. Often times one sends a substitute to the dinner. Businesses often send different employees to different shares. It is believed that these dinners are a useful way to maintain and make business contacts, which leads to early information about new business contacts.

The 'Car Rally' is a similar type of business contact activity. While the rally essentially involves driving one's car over a prescribed route, the winner is the one who arrives at the destination first. However, nobody really cares who wins. The destination is usually a resort hotel, of some type, where all the participants spend the weekend discussing business.

While car rallies and shares are not as popular with the younger-set of businesses persons today, they are still popular with their older colleagues. No doubt the next generation will find their own ways of linking with their colleagues, although evening socializing, travel and golf appear to be among the emerging favored activities..

### **Thai-Thai versus Thai-Chinese**

The commercial history of Thailand is full of details about Chinese dominance of commerce. A more interesting question is why. While much of it has to do with historical coincidence, some of it has to do with the ways different cultures engage in social interactions. The extensive efforts used to establish business contacts, described above, is behavior that is considered very typical for ethnic Chinese, in Thailand. Thai-Chinese appear to like to expand the number of individuals in their social networks.

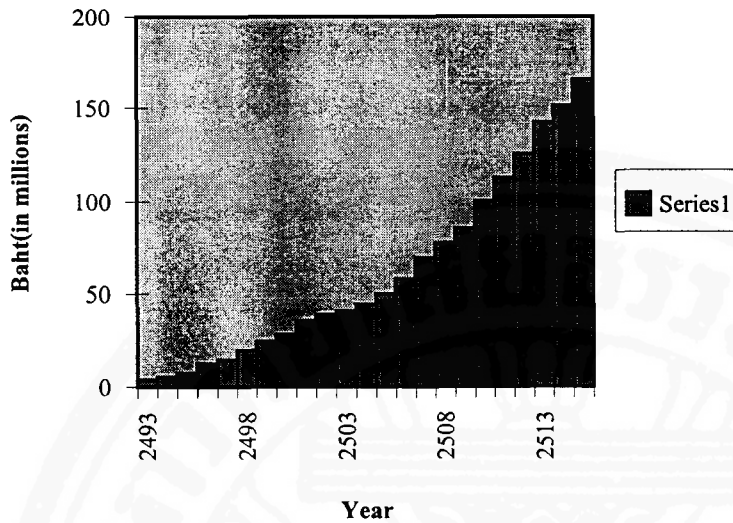
Thais have preferred to have more vertical social circles. They will make extensive efforts to be able to include a member of royalty or a senior government official as a "close friend." However, they tend to develop close relationships, while are far more in-depth, with a smaller number of people.. These may be five or six friends who are called everyday and with whom they socialize regularly. However, they did not have a culture that required the building of extensive social contacts. More recently, it has become difficult to distinguish the social-interactions of different ethnic groups in Thailand. In this regard it might be said that Thai-Chinese are paying less attention to the establishment of social networks, while Thai-Thai are paying more attention to such activities than was customary in the past.

### **Firm Growth**

In Chapter Four, the entrepreneurial background of Luang Damrong Durithhek was discussed. As the reserve of the insurance firm grew, this created funds that could be used in other areas. This is one of the reasons that Luang Damrong started so many businesses. Table 11-1 below lists some of the firms that he started.



**Figure 11-1: Capital and Reserve Fund Growth for the Southeast Asian Insurance Company 2493 to 2515.<sup>4</sup>**



**Table 11-1: Firms Started by Luang Damrong Durithhek<sup>5</sup>**

Firm Name
บริษัท ไซนาอินเตอร์ไรเตอร์ จำกัด
บริษัท อเมริกันอินเตอร์เนลอินชัวร์นส์ จำกัด
บริษัท ไทยประกันชีวิต จำกัด
บริษัท ไทยเศรษฐกิจประกันภัย จำกัด
บริษัท ไทยประสิทธิ์ประกันภัยและคลังสินค้า จำกัด
บริษัท อาคเนย์ประกันชีวิต จำกัด
บริษัท เมืองไทยประกันชีวิต จำกัด
บริษัท สยามบริการประกันภัย จำกัด
บริษัท ไทยสมุทรพาณิชย์ประกันภัย จำกัด
บริษัท กรุงสยามประกันชีวิต จำกัด
บริษัท ประกันชีวิตศรีอยุธยา จำกัด
บริษัท ประกันชีวิตบูรพา จำกัด

Table 11-1 shows a clear pattern of repeat entrepreneurial behavior for Luang Damrong Durithhek. While most of these new firms involved insurance, the starting of related firms, in Thailand during this period, was a entrepreneurial task. It was not possible

<sup>4</sup> หนังสืองานศพ (funeral book) of หลวงดำรงครุฑเรข (2515). Bangkok, PP. 56-57.

<sup>5</sup> หนังสืองานศพ (funeral book) of หลวงดำรงครุฑเรข (2514). Bangkok, P. 77.

to establish and set up new businesses, with the same ease as was common in more industrial countries.

Today, the accomplishments of Taksin Chinwat are constantly featured in the press and discussed on television. This is because he has become a well known politician, but it also reflects the rapid growth of his firm. He is typical of the younger, and well educated modern entrepreneurs, who are building their firms in the new high technology sectors.

Dr. Taksin's grandfather came to Thailand from China. He eventually moved to Chiang Mai. Dr. Taksin's father was a herder who transported elephants and cows from Burma to Thailand, and back. In this capacity he also got involved in the silk business. He would buy the thread in Burma and bring it back to Thailand to be dyed and woven. Then he would take the finished goods back to Burma to be sold.<sup>6</sup>

In 1935 (2478) he opened a shop called Chinawat Panit. He also set up some tailoring shops and a small department store. The Chinawat Panit shops were eventually expanded to other tourists areas, such as Pattaya, Bangkok and Phuket.

Dr. Taksin was born in Chiang Mai and went to the police academy. After graduating from the academy he earned advanced degrees in the United States, and returned to teach at the academy. While teaching at the police academy, he started a film distribution business with a friend. Later they also built an apartment. However, his big commercial success was a combination of being knowledgeable about new technology and having some useful governmental connections.

In 1981 his firm became a computer distributor to governmental agencies. Between 1982 and 1987, he bid on many governmental telecommunication projects. However, it was the "City Call Project" of 1988 that provided the biggest opportunity.

### **Traditional Management: The Charoen Pokphand (CP Group)**

CP is one of the great commercial successes of the Thai industrial boom. However, the company is traditional as an entrepreneurial operation. Chia Ek Chaw and his brother Chia Son Hui opened a “Chia Tai” shop on Song Wad Road, in Bangkok in the period after World War I. Indications are that the shop performed reasonably well, but there was no massive expansion campaign.<sup>7</sup>

At this time, it was common in Thai-Chinese families to encourage the eldest son to start a business. In 1951 Charan Chiarawanon, the eldest son of Chia Ek Chaw started an animal feed business, with a shop called “Charoen Pokphand.”. His uncle and Luang Weerawatyothin, a person with military connections, encouraged him to start the business and helped him to get contracts to provide feed to the army for their horses.<sup>8</sup>

The shop was a manual operation, until 1954, when it imported foreign machinery to mechanize the process. This allowed them to expand, and in 1959 they created Charoen Pokphand (Hong Kong) Co., Ltd. At that time both Charan Chiarawanon and his father Chia Ek Chaw were concerned about political instability in Thailand.

The process of technology transfer and foreign expansion was to become an entrepreneurial pattern for the firm. In 1967, the firm was split into four divisions. They were Chiarawanon Co., which later changed its name to Bangkok Feedmill Co. Ltd., Charoen Pokphand In-Ex Co. Ltd., Charoen Pokphand Produce Co. Ltd., and Charoen Pokphand Industry Co. Ltd. Each company concentrated on a specific aspect of the agribusiness. In 1967 Charn’s brother Thanin Chiarawanon also joined the management of the firm.

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<sup>6</sup> \_\_\_\_\_ (2538). “ตระกูลชินวัตร,” *Boss Magazine (Special Issue) 50 ตระกูลนักธุรกิจ*, pp. 98-101.

<sup>7</sup> Winichagoon, Wattanachai (1992). *Formation and Behavior of Thai Industrial Capitalists: A Case Study of Charoen Pokphand Group in Agro-Industry*. Bangkok: Thammasat University, Faculty of Economics. p. 63.

The next entrepreneurial jump also came during this period. They entered into a joint agreement with Arbor Acres International Co., a U.S. firm with state of the art technology relating to poultry breeding. In the beginning, CP lacked the funds to be a full partner, but by 1970 they had fully absorbed Arbor Acres' breeder technology. Having successfully transferred the technological knowledge to their own firm, they then began to vertically integrate their operations.

This process of technology transfer, which flows from an entrepreneurial venture, and vertical integration, which reflect a corporate strategy, are two important reasons for the firm's success. The firm had over 200 subsidiaries, 13 of which were among the largest firms in Thailand, by 1991. Their sales that year were approximately 80,000 million baht<sup>9</sup>.

CP may be the ultimate entrepreneurial success story, but the pattern they used is common. Moving technology, products or services from one market to a new market is clearly one of the most successful modes of successful entrepreneurial behavior.

#### **Professional Management: Finance One Plc.**

Pin Chakkaphak represents an example of a modern delegation-type entrepreneur. This is not to say that CP does not have professional management, but the mode used by Pin Chakkaphak more clearly separates ownership from day to day management. Pin comes from a commercial family. His grandfather was one of the founders of Asia Bank, and his father was First Secretary to the Minister of Industry. Pin was sent to school in the US, at the University of Pennsylvania. He returned to Thailand, and worked for Chase Manhattan Bank, and became its first Thai branch manager.

In 1970, he became the managing director of Yip-In-Soi Financial Company, as part of a joint venture with Thai Farmers Bank (20%) and Yin-In-Soi (75%). This finance

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<sup>8</sup> Winichagoon, Wattanachai (1992)p. 64.

<sup>9</sup> Winichagoon, Wattanachai (1992)pp. 66-67.

company was in bad shape, and Pin was successful in turning the firm around. This led him to take over the Chase Manhattan Finance Company, with the support of Thai Farmers Bank. He continued to expand his financial empire, and eventually invited Asia Bank to invest in First Pacific Asia Co., which was eventually evolved into Finance One.

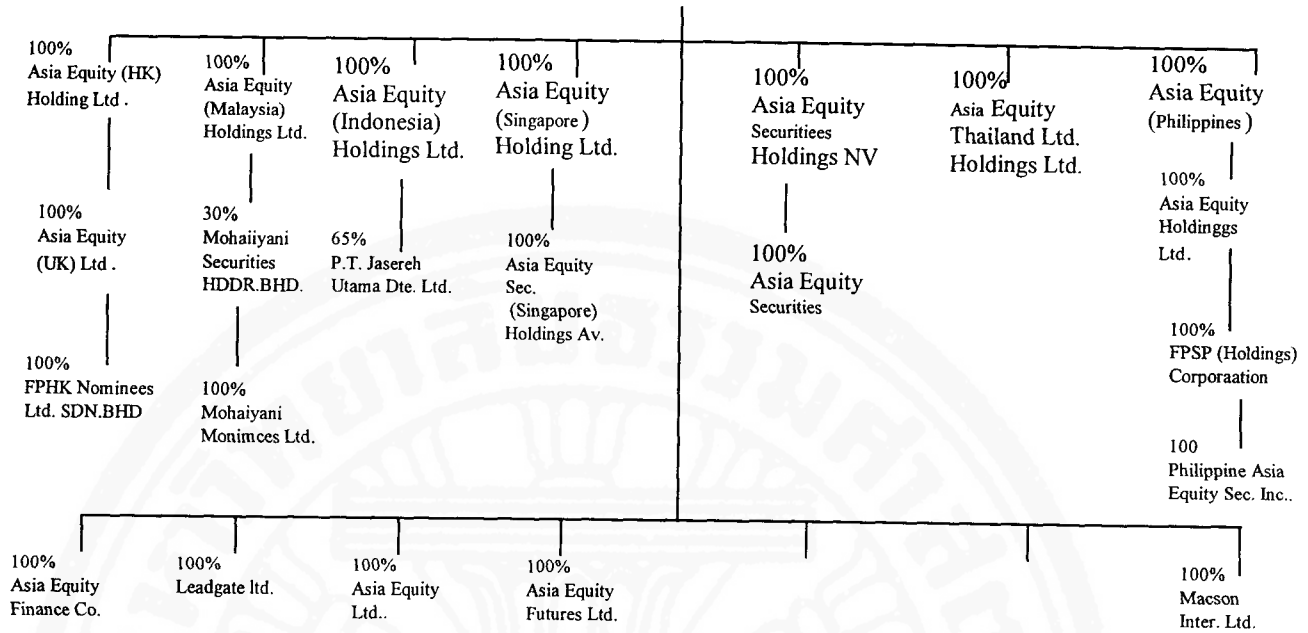
We see here, in Mr. Pin, an individual who is able to develop financial connections. He married into the Thai Farmers Bank and established family connections with Thai Dhanu bank.<sup>10</sup> Pin has also begun to diversify into other areas, and explored alliances with others to obtaining government licenses for a new bank and new airline. In this respect he differs from some other contemporary entrepreneurs, because he focuses on developing Thai-Thai venture relationships, rather than with individuals from other countries.

Three holding company structure set up by Mr. Pin, through Asia Equity is also especially interesting, and reflects a new mode that may come to characterize certain entrepreneurs. Figure 11-2, which is depicted below, illustrates how Asia Equity's holding are used to separate the holding from the management functions.

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<sup>10</sup> วิจิตรกุล(1996). “พหุลักษณะ ของ ราชันย์”, *Corporate*, Vol. 1 (3), pp. 62-73.

Figure 11-2: Asia Equity Holdings



Although Finance One was to eventually collapse, as the result of the dramatic drop in the value of the Stock Exchange of Thailand, during 1996 and 1997, Pin Chakkaphak continues to be viewed as a takeover king and a glamorous entrepreneur. Thai Danu Bank which merged with Finance One, actually kept Pin on in a less external position of executive director. Although this position is a policy-level rather than an operational one, he can still be expected to provide some entrepreneurial influence on the larger merged firm.



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