# Empowering the NextGen:
## The Key to Achieving Growth and Enduring Prosperity

Global Family Business Survey 2019 – Thailand Report

# Foreword

Family businesses have contributed impressive growth to Thailand's economy. Approximately 75% of companies on the Stock Exchange of Thailand are family businesses. Family businesses have long-term strategies when doing business: When they make a critical decision, they do so with the needs of future generations in mind.

However, sustaining a business over time isn't easy. Family members must maintain age-old values while coping with a changing business environment shaped by fierce competitors, emerging technologies, and changes in customer behaviour.

Since family businesses have made a substantial contribution to the country, their insights are important to help better understand the fundamental characteristics of the broader economy.

As such, PwC Thailand has published the first Family Business Survey in Thailand. Family business leaders from many sectors, including manufacturing, agriculture and construction, participated in the survey. Questions focussed on business growth, generational transition, and future leader expectations and preparations.

Our first Thailand Report also discusses global trends such as digital technology and professional management in the organisation. It shows that most Thai family-business leaders were confident about business growth, and had strategic plans. However, these plans were not robust, and most businesses were aware of the need to do more to address rapidly changing challenges and digital disruption.

The findings also represent the particular strengths and weaknesses of family business, as well as perspectives regarding succession plans and future leaders. To grow and maintain a long-lasting business and make it succeed, it's essential to have a robust strategic business plan and effective succession planning. The right skills and horizontal knowledge will help young leaders drive the business forward and grow family-owned firms. This is why the report is titled "Empowering the NextGen: The Key to Achieving Growth and Enduring Prosperity."

Finally, each family business has its own values. A family firm with a clear sense of its values tends to have a positive impact on employee loyalty, competitive advantages, and business sustainability. The values of a company guide behaviour among both management and employees. These concepts are embedded in the organisation's culture.

In this report, we present the survey results, and offer practical and actionable suggestions on how to develop strategic plans and make smooth transitions. We also look at the key success factors needed to sustain and grow a family business.

Boonlert Kamolchanokkul
Clients and Markets Leader
Partner, PwC Thailand

# Preface

Welcome to PwC Thailand's first Family Business Survey. I hope you find the facts and figures here interesting. They offer an insight into one of Thailand's most important economic drivers: the family business.

In Thailand, family businesses have contributed to the growth of every sector. So we wanted to find out how they run and develop their firms. We examined how they perceive business prospects, their strategic plans, and succession plans they have to ensure a smooth transition between generations.

Our report shows that Thai family businesses believe in growth. However, what they have done in the past may no longer fit the current business environment. Consumer behaviour is changing every day, so most Thai family businesses are changing strategic plans to respond to these challenges. Family business leaders also recognise the challenges they face from digital technology and cyberattacks, even though they have yet to develop robust plans to embark on a digital transformation journey.

Amid this uncertain future, the next generation can play a pivotal role in managing changes if they act now. It's time to equip themselves with skills and knowledge to meet the expectations of current leaders, and be ready to take charge when the baton is passed. This is why it's crucial for family businesses to empower the next generation in order to ensure enduring prosperity.

And this is why PwC Thailand's NextGen Club was established. It has been designed to support the next-generation members of Thailand's family businesses, particularly in terms of equipping young leaders with the knowledge and the leadership skills they need to overcome challenges facing their organisations in the years ahead.

We're committed to working with them to ensure their long-term success, which is crucial to Thailand's growth and prosperity.

Niphan Srisukhumbowornchai
Entrepreneurial and Private Businesses (EPB) Leader
Partner, PwC Thailand

# Introduction

Family businesses in Thailand are a key driver of the economy, accounting for more than 80% of GDP while also contributing to society and developing talent. One-third of the firms listed on the Stock Exchange of Thailand (SET) are family owned.

Looking beyond the balance sheet and net worth, family businesses contribute to the long-term sustainability of society. They embed strong family values, build trust, and give back to the community. Philanthropy is at the core of highly responsible family businesses around the world. They are a good model for the communities they serve, and they indirectly create a lasting impact through the values they bring to society as a whole.

# Introduction (cont'd)

Family businesses also create a vast number of jobs in Thailand. They constantly have to invest in human capital, while responding to emerging challenges and managing business disruption. The local, regional and international business landscapes are constantly changing, making it essential to stay one-step ahead.

The Thailand Business Survey, which is part of PwC's Global Family Business Survey, attempts to understand how family businesses operate and their future prospects for success.

It clarifies how family firms set business goals and strategies, what challenges they face and how they respond to survive and thrive. The report mentions the values family businesses apply in their day-to-day operations. Most importantly, it looks at succession planning and how family businesses are preparing their next generation of leaders.

To get a clearer picture of Thai family businesses, the findings are compared with those in the PwC Family Business Survey 2018 – Asia Pacific report. Note that the Asia Pacific report is PwC's internal report and has not been published. Therefore, the publication may not be found elsewhere.

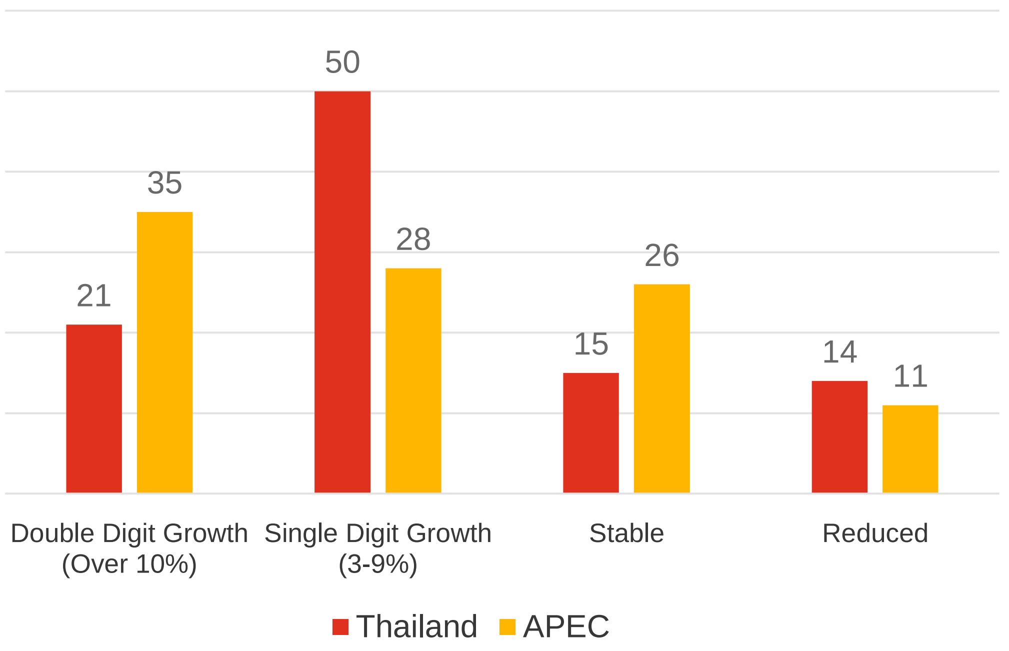
# Family business confident about growth

Family-owned businesses in Thailand have dominated the business landscape, diversifying in every industrial sector with a combined wealth of more than 30 trillion baht, and ranked seventh in Asia Pacific in 2018[1].

In the coming years, we will witness more family-run companies listed on the SET as the current family business owners believe it is a source of investment and professional recognition for the next generation. Along with this trend, family firms' confidence regarding business growth in the near future is high.

In the past 12 months, most family businesses in Thailand (71%) saw higher sales growth compared to the Asia Pacific average (63%). Of this, 21% of Thai respondents revealed double-digit growth in 2018, which was less than the Asia Pacific average of 35%.

Figure 1: Growth in last financial year




Q1a: Looking back over the last financial year, would you say your sales have been?

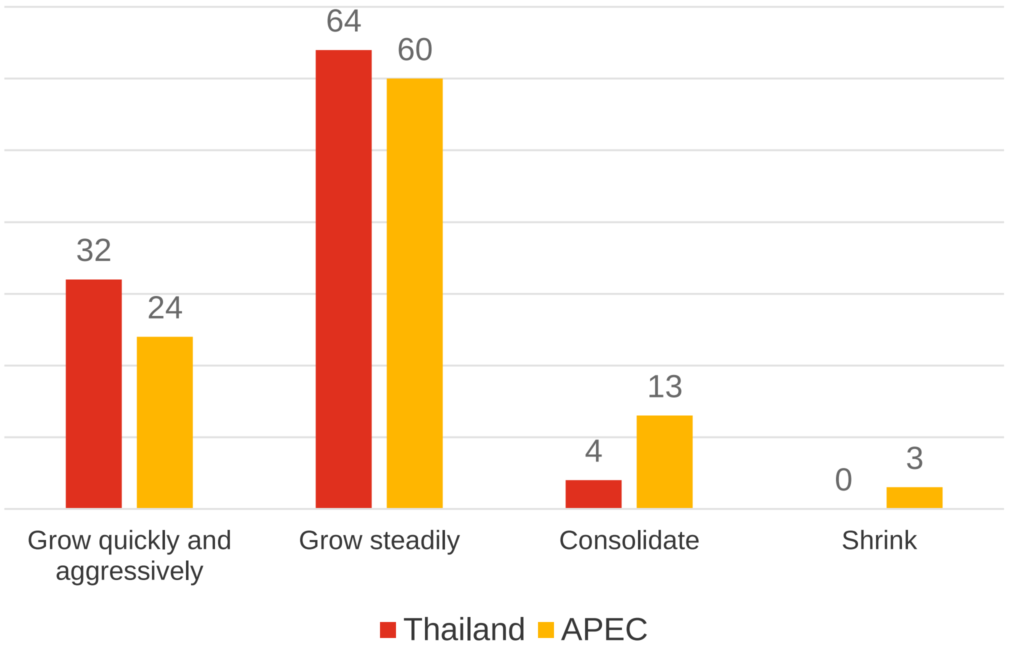
Source: [1]Bangkok Post

# Family business confident about growth (cont'd)

Thai leaders were slightly more confident (64%) about business growth than APEC business leaders (60%), expecting that their companies will grow steadily in the next two years. In the meantime, 32% of Thai executives believed their business will grow quickly and aggressively, compared to 24% of APEC executives.

The survey also highlights the top three business trends that Thai family business leaders anticipate will happen in the next two years; 1) companies will have made significant steps in terms of digital capabilities, 2) companies will have significantly changed their business model, and 3) experienced professionals from outside the family will have been brought in to help run it. These results align with the thoughts from APEC leaders.

Figure 2: Growth aims over next two year




Q1b: Which of the following best describes your aims for growth over the next two years?

# Short-term approaches for long-term goals

In terms of short-term business objectives, Thai leaders found that improving profitability, attracting and retaining the best talent for the business, and professionalising the business are their top three goals.

This vision has set the direction of a business formation that allows Thai firms to achieve their long-term goals. These are protecting the business as the most important family asset, creating a legacy, and creating dividends for family members. To make the vision a reality, owners need to be aware that a clear and well-executed plan is a bridge to link the medium-term business plan with long-term aspirations.

Normally, when a family business looks for financing to expand business and develop operations, one of its concerns is how their decisions would affect next generations. The results present different approaches, but most Thai family businesses remain conventional for sources of funding as 38% of Thai decision makers will start to use bank lending/ credit lines, capital markets such as bonds, debt issuance, etc. (22%), and internal sources such as family cash, cash flow (16%).

However, there is a sign that the stock market will attract next generation leaders to raise capital. More family businesses are likely to be listed on the stock market[2]. And this is for three main reasons, 1) raising a large amount of money at a low price, 2) strengthening the operation by professional management, and 3) sustaining the business.

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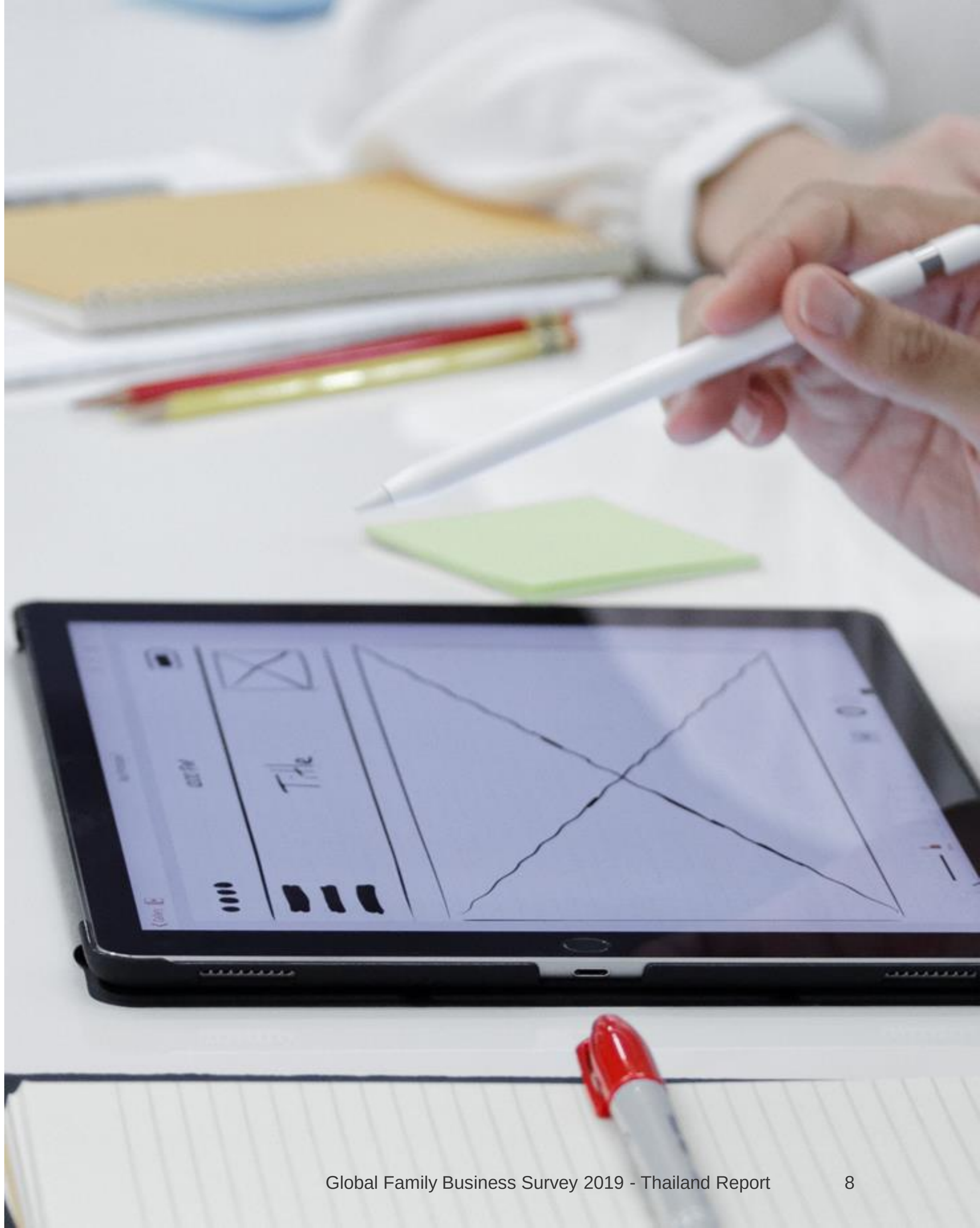
Source: [2]Voice TV



# Strategic plans in place, but not robust

Due to the fast changing conditions in the business environment such as consumer behaviour, emerging technologies, and fierce competition, family businesses are adopting strategic plans, and adapting to those conditions to ensure the continuation of the firm.

Ninety-six percent said they have a strategic plan for the next three to five years and 86% of those are likely to develop a strategic plan to stay in the game. But only 25% of them said their business plan is formalised, documented and communicated. And when compared to their APEC counterparts, almost half of the respondents (43%), said they have costed, formalised and documented plans.

> “It is clear that the family business in Thailand have a strategic plan in place, but most of them are not formal. The challenge is how they develop the plan to be properly formalised, documented and communicated in preparation for smooth transition.”

Niphan Srisukhumbowornchai
Entrepreneurial and Private Businesses (EPB) Leader
Partner, PwC Thailand

## Figure 3: Top three challenges over the next two years

|  | Thai Family Business | APEC Family Business |
| --- | --- | --- |
| 1 | Domestic competition | The need to innovate to keep ahead |
| 2 | Accessing the right skills and capabilities | Accessing the right skills and capabilities |
| 3 | Economic environment | Economic environment |

For the key challenges Thai family businesses are facing, the results align with their APEC counterparts. Domestic competition, accessing the right skills and capabilities, and the economic environment are key challenges faced by Thai family businesses. While, the need to innovate to keep ahead, accessing the right skills and capabilities, and the economic environment are major challenges for APEC executives.

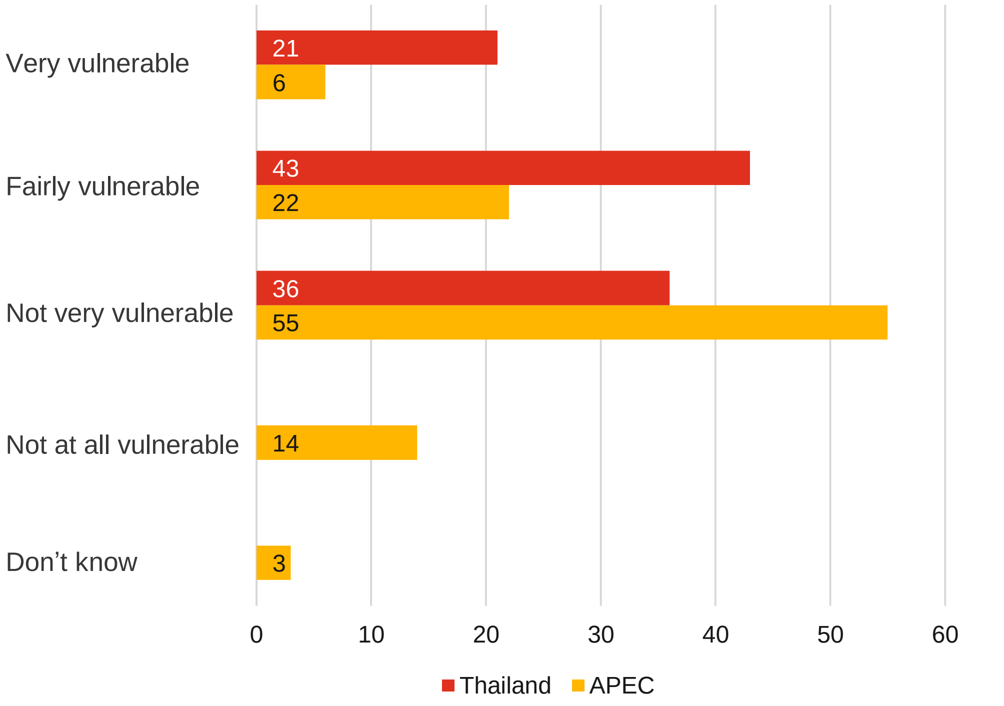
Finding the right skills and talents is a long-standing challenge. The skills that firms need most have developed, but ways of building and developing the talents who have those skills have not. Therefore, the decision makers need to pay close attention to this issue, making their talents a strategic priority of the business. Companies who focus on building and sustaining skills have a tendency to achieve better sustainability results.

Q3a: What challenges do you think your business will face over the next two years?

# Securing legacy in the digital era

In a world where industry disruption is the norm, family businesses in Thailand are aware of the impact of digital technology. But this doesn't mean they are fully prepared for the transformation. More than half of Thai family businesses (64%) felt vulnerable to digital disruption, 61% of respondents believed that their business is vulnerable to cyberattack, and 46% revealed they will step up their digital capability in the next two years.

Figure 4: Business vulnerability to digital disruption




Q10a: To what extent do you feel your business is vulnerable to digital disruption?

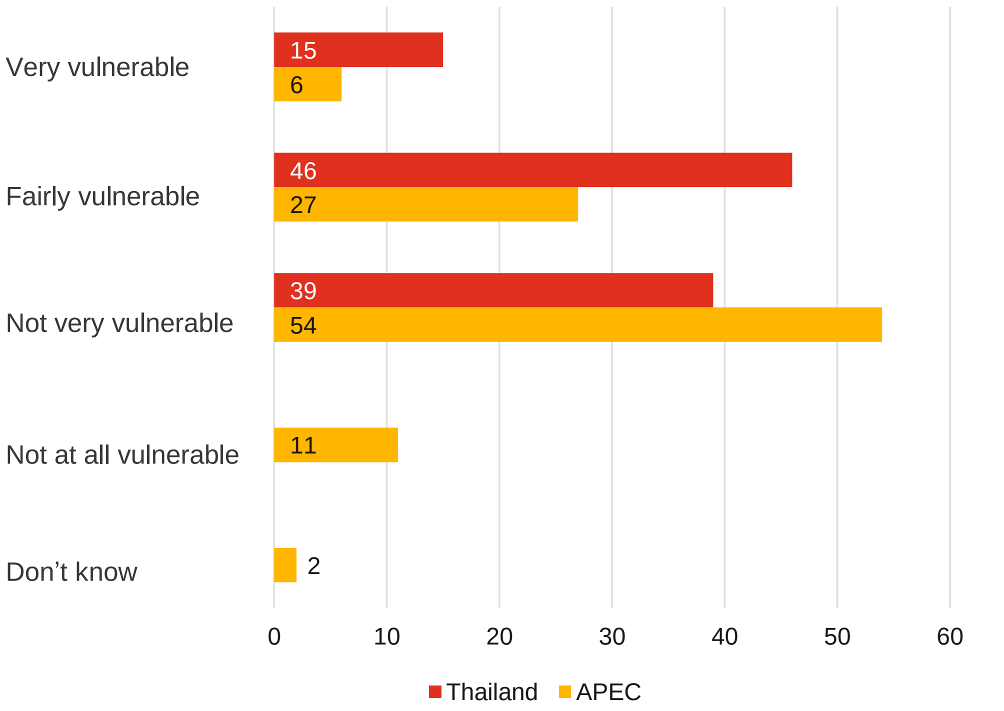
# Securing legacy in the digital era (cont'd)

There are some common thoughts among Thai leaders regarding how vulnerable they are to digital disruption, and which technologies they need in particular. These emerging technologies have changed customer behaviours and their daily lives. They include artificial intelligence (AI), big data, blockchain with transparency and traceability of materials, Insure Tech, FinTech, robotics, electric vehicles, and self-driving cars.

Also, communication and marketing channels have shifted rapidly to instant communication, droves of data, and demands for transparency. This means customers have many choices for products and services. Their needs and expectations are also much higher, providing challenges and complexities to companies who need to work harder to find a way to meet demands while maximising their sales and revenue at the same time.

This all means that family businesses need to have a vision and think ahead. This is not only preparation to grab business opportunities, but also to plan for the worst. For example, coffee and energy drink companies will be challenged by self-driving cars. This will lower the demand for energy drinks and coffee for those drivers facing long periods behind the steering wheel.

Figure 5: Business vulnerability to a cyber-attack




Q10d: To what extent do you feel your business is vulnerable to a cyber-attack?

Most Thai family businesses face four main challenges to transform their firms to digital organisations[3]. First, some family firms are business groups, diversifying their business into several sectors such as telecommunications, food and beverages, and retail. This can reduce conflicts among those members who can run businesses in which they have expertise. However, when there are a lot of product lines in business within a group, it can lead to a lack of clear direction. For example, they cannot decide which businesses within the group should go digital.

Second, normally, Thai companies compete with each other on price rather than quality. Investing large amounts of money in digital technology forces them to raise prices, and this is not a good option for Thai companies.

Third, Thai firms have to bring in more business experts with digital skills from outside the family to help expand the business, balancing the numbers between current and new generations. Finally, businesses may enter areas that are not familiar to family firms.

Source: [3]Prachachat Turakij

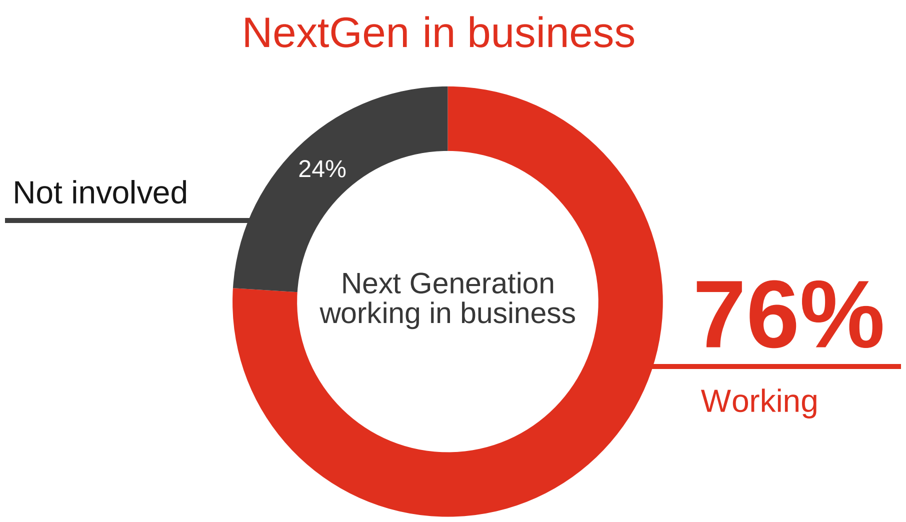
# Next generation leaders to set the bar higher

Family businesses have several advantages over other types of business, including genuine commitment, passion and loyalty. Family members feel fully in control of the business and its ownership. While employees feel more attached working at family firms as they have common interests in the performance; for example, they have a long-term timeframe to exceed the clients' expectations without any pressure to report to shareholders.

On the other hand, the authority and management power that the current leaders need to pass on to the next generation is a perennial problem for family businesses. Those challenges include emotional involvement, lack of formal training and preparation, and unprofessional attitude. And because succession planning is sensitive and delicate, nobody wants to discuss it. Prospective successors need to be equipped with proper education and management experience, but some family businesses ignore these factors. Last, most family businesses adopt a succession plan with an unprofessional approach, so the plan becomes very vague and difficult when the transition time arrives.

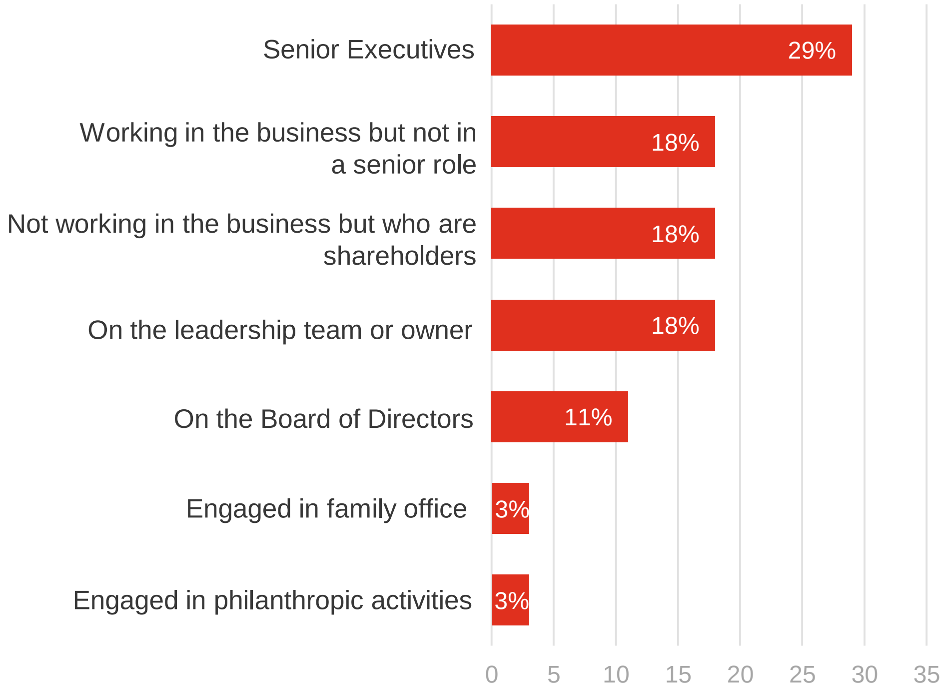
# Next generation leaders to set the bar higher (cont'd)

Regarding this issue, the survey asked family business leaders in Thailand about their succession plans, 76% of the respondents revealed that they have next generation family members working in the business, which is higher than APEC family businesses (67%). Also, 29% of Thais are in a senior executive position while 48% in APEC were on the leadership team. All Thai respondents unanimously said that key people in their businesses were aware of the succession plan, and 75% of those revealed that the succession plan has been discussed among family members.




Compared to 67% of Asia Pacific (Working)

Figure 6: Involvement of next generation in business




Q12a: Are there any next generation family members involved in the business who are…?

Interestingly, the survey revealed a higher proportion of women in management teams for family businesses in Thailand (26%), compared to 22% in Asia Pacific. Additionally, 31% of next generation Thai family members working in the business are women. This is quite high compared to Asia Pacific, with an average of only 19%. There are two main reasons for this; first, more Thai women have access to education. According to Bloomberg[4], Thailand secures the highest rank of women enrolling in a university. And second, within the business environment, Thai culture gives more opportunities to female leaders to work freely and run the organisation.

More than half of Thai decision makers (57%) revealed that they have a succession plan in place. And one in three respondents (32%) said they have the family constitution or protocol in place; while 29% of Thai leaders had a plan to entry and exit provision.

Although they have a succession plan in place, the lack of a formal plan could be a problem. When the current leader passes on the control to the next leader, he/ she might not be ready or unaware of how to take on the full level of responsibility. Furthermore, an informal plan may lead to a rough transfer of authority as other family members and key stakeholders don’t give full support to the new leader.

Forty-eight percent of surveyed executives plan to pass the leadership/ management/ ownership of the company to a next generation family member in 10 years or later, while 29% plan for the transition in three to five years, and 24% plan for six to 10 years.

To groom the next business chiefs, current leaders have three main expectations for the next generation family members, who should 1) gain experience from inside the family business (23%), 2) gain experience outside of the family business (21%) and 3) graduate from a business school (19%). This is the same for APEC as well.

Source: [4]Bloomberg

## Figure 7: Top three expectations for next generation family members

### Top Three Expectations

| | |
|---|---|
| 1 | Gain experience from inside the family business |
| 2 | Gain experience outside of the family business |
| 3 | Graduate from a business school |

Q12b: Are next generation family members working in the business expected or encouraged to…?

According to the Next Generation of Family Business Leaders Survey 2016[5], next generation leaders should prepare for their future role by first, gaining outside experience. This is one of the expectations that the older generation would like the next gens to have. The young leaders will get valuable skills and it also signals to other employees that you are in the family firm not only because of the family name.

Second, handle change with care. Changing what the previous leaders spent their lives building is sensitive and difficult. Managing this sensitivity comes in to play to avoid conflicts and resistance among family members and fellow employees. Finally, take a proper appraisal. An assessment with constructive feedback will help young leaders grow, develop and make sure they're able to plug any gaps with a proper approach. These recommendations not only make the transition smooth, but also help make their expectations a reality.

Source: [5]The next generation of family business leaders survey 2016

# PwC Thailand’s NextGen Club offers holistic approaches to learn, lead, and connect

Realising the important role of family business leaders, PwC Thailand has initiated the NextGen Club, offering young leaders and successors a holistic programme of training so that young leaders can learn, lead, and connect.

This is where tomorrow’s leaders will be inspired, skills will be strengthened, and connections will be established for NextGen members to embark on their own journeys and continue the family business legacy.

## Learn

NextGen Club members will sharpen their knowledge from PwC experts and iconic business practitioners to build a lasting competitive advantage through their values and purposes.

## Lead

Mentoring programmes and training courses will equip the next leaders with confidence and leadership skills they will use to tackle challenges and to stay ahead of the game.

## Connect

At networking events, which are exclusively designed for young leaders, they will be able to connect with top-tier international executives, leaders of multinational corporations, and high-net-worth family business members in PwC’s global NextGen network.

# Family business values to build long-lasting success

Family businesses that have a clear sense of company values tend to have a positive impact on employee loyalty, competitive advantages, and business sustainability. This is because the firms embed a can-do attitude and a long-term commitment that everybody is pitching in.

Speaking about value, Thai executives defined it as the values of the family that owns the business define clear expectations for family members; their organisations have a defined code of conduct, and they're committed to and adhere to Corporate Social Responsibility.

## Figure 8: Top three agreed statements

| Thai Family Business | APEC Family Business |
|---|---|
| 1 The values of the family that owns the business define clear expectations for family members | 1 You have a clear sense of agreed values and purpose as a company |
| 2 You have a defined code of conduct | 2 You are committed to and adhere to Corporate Social Responsibility |
| 3 You are committed to and adhere to Corporate Social Responsibility | 3 The family that owns the business has a clear set of family values |

Meanwhile, APEC executives defined value as having a clear sense of agreed values and purpose as a company, committed to and adhering to Corporate Social Responsibility, and the family that owns the business has a clear set of family values.

It is obvious that family businesses that make values patent and assessable, and integrate them into business strategies, everyday practices and operations, would get better performance and greater business success.

Q15: Tell us how much you agree or disagree with the following statements on a scale of 1 to 5, where 1 = Disagree strongly and 5 = Agree strongly.

# Conclusion

The findings show that family businesses in Thailand dominate the market in terms of contributing to GDP, social impacts and job creation. There are signs that Thai family businesses are interested in being listed on the SET or placing shares with chosen institutions.

This means they will operate under a more professional approach by establishing more rigorous processes, forming clear governance, and hiring talents from outside. While decision-making still remains in the hands of the family leaders.

Family businesses that last for several generations have to have excellent vison and great management. And, the family values they have been implementing in the business are important as these values tie everybody together through routine business practice, creating a long-term commitment to becoming consensual guidelines for future generations.

The other main factor to drive a lasting family business is a robust and formalised succession planning process. This ensures the ownership, continuation, and growth of the business. And preparing their successors to take over the entire responsibility and authority is also imperative. It will provide a smooth transition, as the better the successors understand the business, the longer they will sustain and grow the family business.

Finally, adapting to change in a business environment matters. Family businesses will continue to face challenges and opportunities. The management team needs to be agile, innovate and move fast enough to turn a crisis into a business opportunity. They need to grab an opportunity before others and maximise it for the comprehensive benefits of the firm.

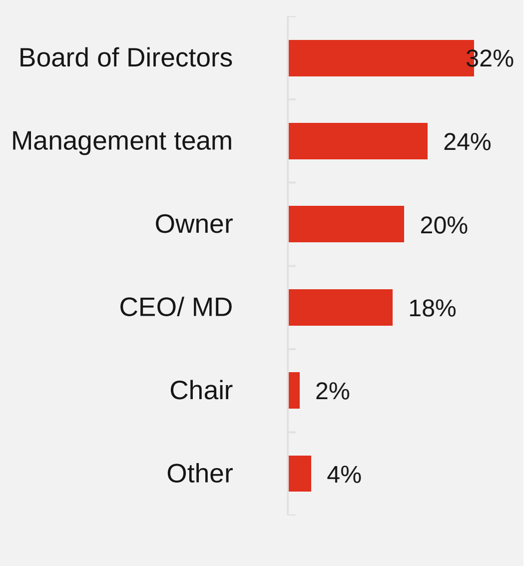
Family businesses that pass the baton from generation to generation don’t do this by accident. Those who prioritise the major factors mentioned above are likely to endure the longevity and prosperity of their family business.

# Survey methodology

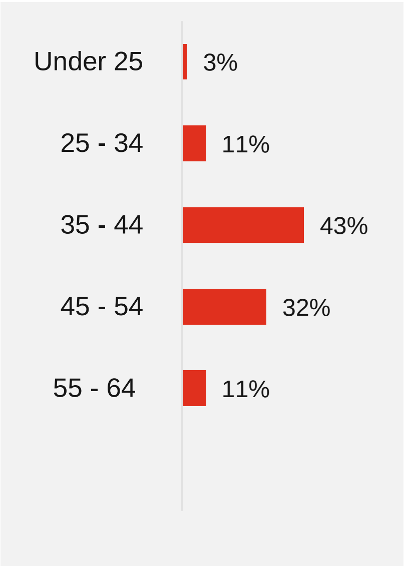
We surveyed more than a hundred of the business leaders from family business in Thailand between January and March 2019 and received 28 responses who were asked important questions regarding family business issues.

## Profile of surveyed business

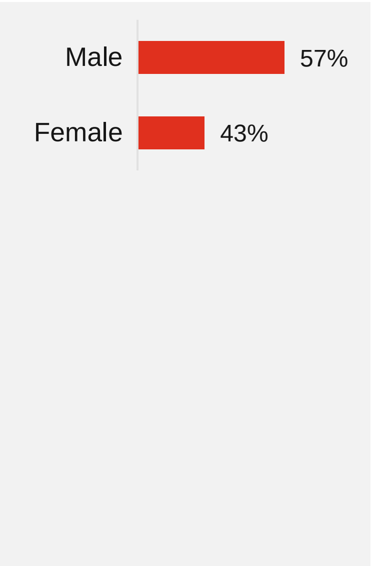
### Role in company



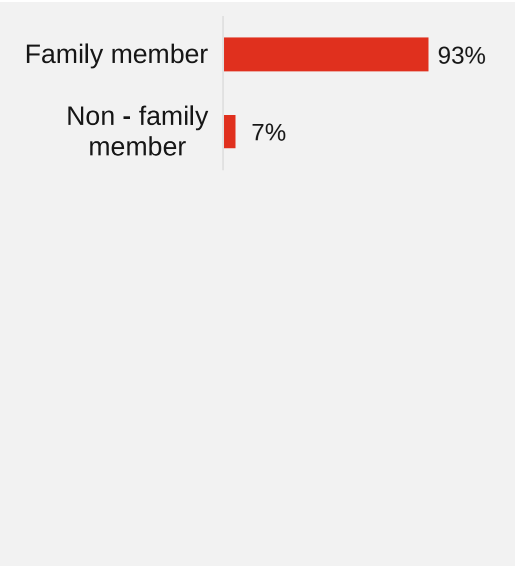

### Age




### Gender




### Relation to family



# Profile of surveyed business

## Sector

| | |
|---|---|
| Manufacturing | 21% |
| Financial Services | 14% |
| Agriculture | 11% |
| Construction | 11% |
| Real Estate and Renting | 11% |
| Food & drink manufacturing | 7% |
| Hotels and Restaurants | 7% |
| Other | 18% |

## Revenue

| | |
|---|---|
| <฿165 M | 11% |
| ฿166 M-330 M | 14% |
| ฿331 M-680 M | 21% |
| ฿681 M-1,600 M | 18% |
| ฿1,601 M-3,300 M | 14% |
| ฿3,301 M-16,000 M | 11% |
| ฿16,001 M-33,000 M | 7% |
| >฿33,000 | 4% |

## Number of generations

| | |
|---|---|
| 1st generation | 17% |
| 2nd generation | 75% |
| 3rd generation | 4% |
| Other | 4% |

## Family's role in the business

| | |
|---|---|
| Own and manage | 96% |
| Just own - don't manage | 4% |

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