

PwC's Global NextGen Survey 2019 - Thailand Report

Agents of Change: Earning Your Licence to Operate





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Foreword

In today's economy, business leaders need to think on their feet. Economic uncertainty, new digital technologies, and competition from around the globe have forced private and traditional family businesses to adapt at an ever-faster pace. Never before has leading a business been so challenging.

Corporate CEOs have been busy searching for new business models to leverage emerging technologies. Family-owned firms, meanwhile, have sought to maintain age-old values while still staying competitive in a changing business environment. The question for many family firms is whether they can rely on the next generation (NextGens) to lead their businesses into the future while still upholding core values from generations ago?

How do NextGens prepare themselves to take charge when the baton is passed, and what role are they playing in managing the changes? PwC Thailand's first NextGen Survey 2019 Report is pleased to address these questions. The facts and figures in the report offer insights on young Thai leaders in family businesses representing sectors including manufacturing, construction and retail.

Questions in the first Thailand NextGen survey focussed on their business priorities and goals, their values and capabilities, and their expectations and preparations for future leadership. The report discusses how NextGens perceive their family business and where the family firm stands compared to competitors. It also highlights particular strengths and weaknesses of young leaders, and the best ways for them to acquire new skills.

Family business leaders – both current and future – should pay careful attention to what each generation needs, and what expectations they have for each other. Young family-business leaders need the support and trust of current leaders. The report presents actionable recommendations for both generations to contribute to the family business, which we believe will help NextGens thrive in the future.

To help NextGens fulfil their own aspirations to become good leaders and take their family businesses to the next level, PwC Thailand has formed a NextGen Club to support future leaders as they prepare for the succession. We're committed to working closely with NextGen leaders to equip them with the knowledge and skills they need to run some of Thailand's most successful family businesses.

We believe that family businesses remain an important driver of Thailand's economy. We're delighted to help facilitate this journey, and witness the continued growth and prosperity of family business in Thailand.



Niphan Srisukhumbowornchai

Clients and Markets Leader

Entrepreneurial and Private Businesses Leader

Tax and Legal Partner, PwC Thailand



The future depends on future leaders

In today's digital era, the business environment around the world is changing at a faster rate than ever before. Business in Thailand is at a crossroads. Emerging technologies, rapid communication, the need for new skillsets, and new business models are all generating unexpected changes that hold both great opportunities and major challenges. It's inevitable that family businesses in Thailand must face the music too and overcome any vulnerabilities.

If family businesses want to be sustainable and grow in the future, then leaders – especially those in the next-generation (NextGens) – need to have a multi-skilled leadership approach to dealing with this fast-changing world. This comes even as young leaders face pressure from the older generation to maintain the longevity and prosperity of their family business.

PwC Thailand's NextGen Survey, which is part of a wider global network survey, attempts to understand how NextGens see and assess themselves. The global survey includes insights from nearly 1,000 next-generation leaders, including those in Thailand, who aspire to become family business leaders. This is the first time we've ever published the NextGen Survey – Thailand Report, which reflects the perspectives of young Thai leaders about business trends in family businesses.

The survey will help everyone understand the biggest challenges and priorities facing NextGens – and, more importantly, understand what support they need from the current generation of leaders.

To get a clearer picture of Thai next-generation leaders, the findings are compared with those in the PwC NextGen Survey 2019 – Asia Pacific, and Global reports. Note that the Asia Pacific report is PwC's internal report and has not been published. Therefore, these findings may not be found elsewhere.

Meet the NextGens

Age group

12%

Aged
21-24

31%
Aged 35+

Note:

2% Prefer not to say

2%
Under
aged 21

53%
Aged
25-34

Gender

Male

69%

Female

30%

Note:

1% Prefer not to say

Number of generations



69%

2nd generation



14%

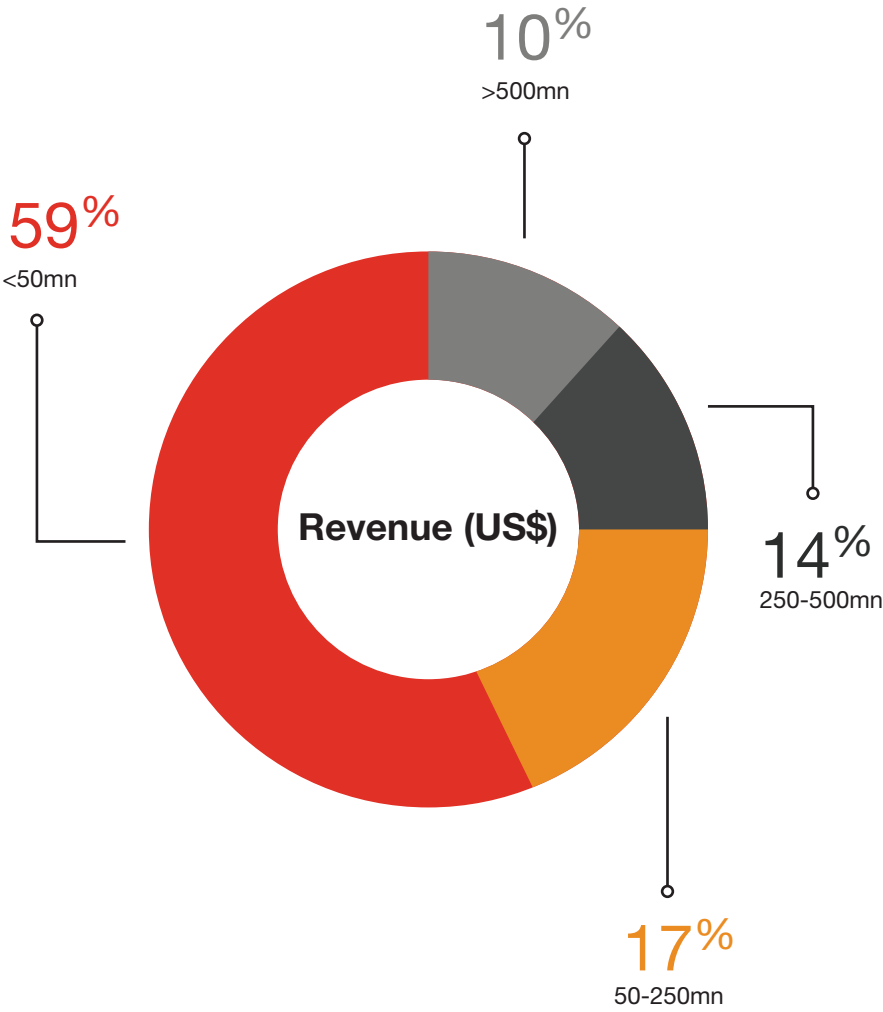
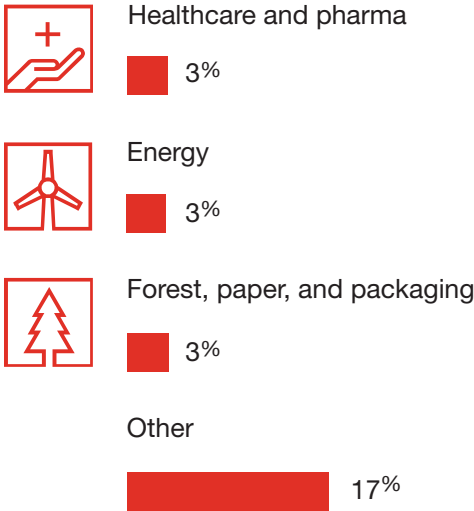
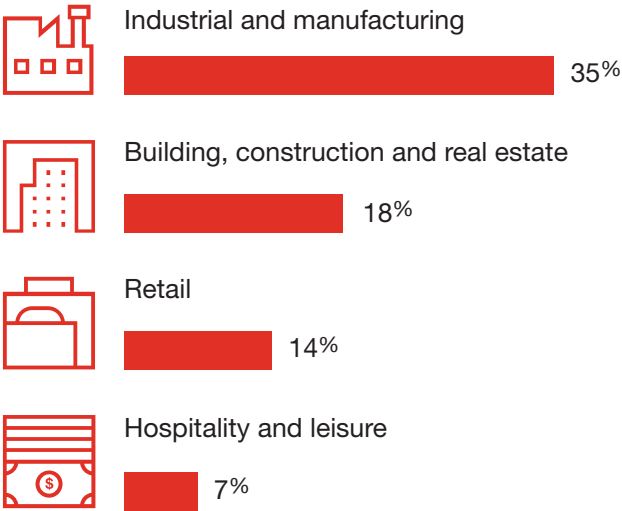
3rd generation



17%

4th generation

Sector



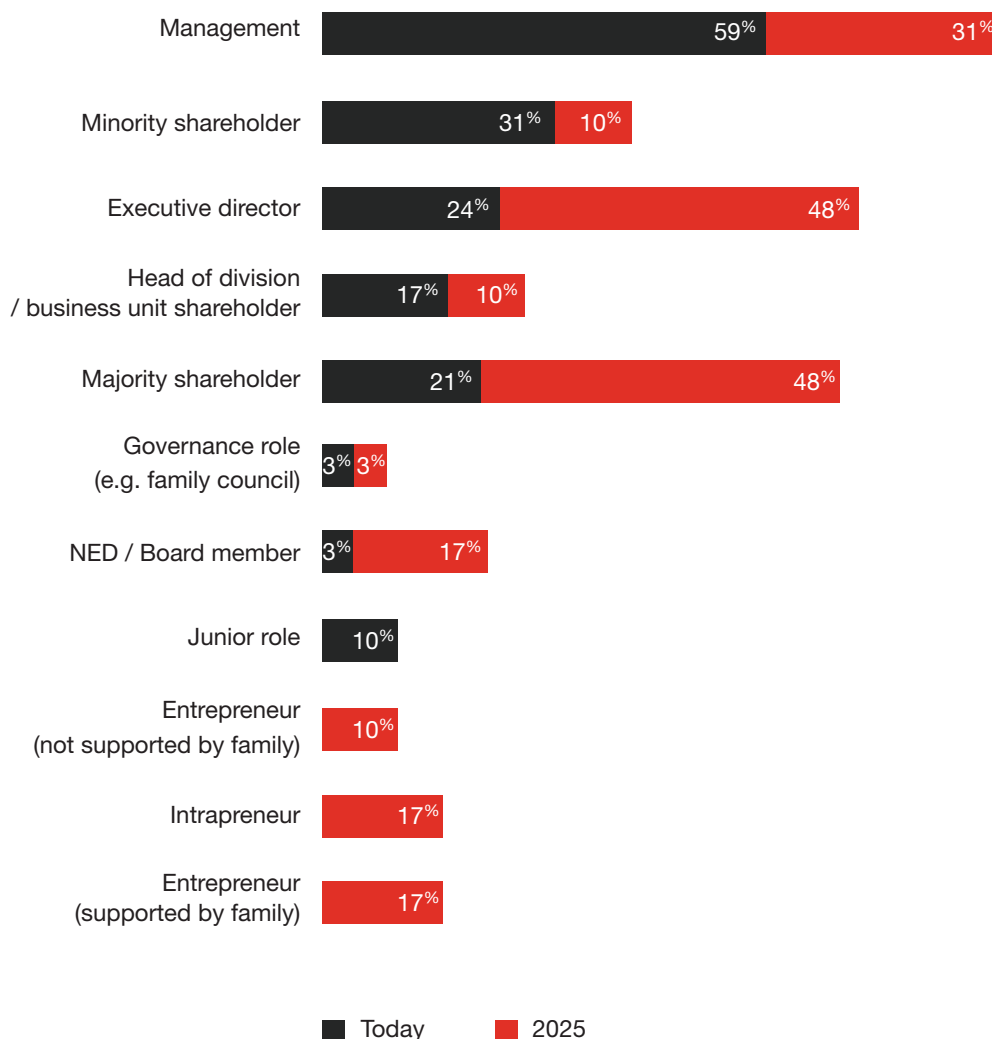
NextGens want an active role in the future success of their family business

The majority of NextGens in Thailand (81%) actively engage in their family business today and a further 13% expect to be in the future. This is more than their global and Asia Pacific peers at 70% and 73% respectively. More than half of Thai NextGens (59%) say that they are in management positions.

Thai NextGens in family business



Figure 1: Role of Thai NextGens in family businesses today and in 2025



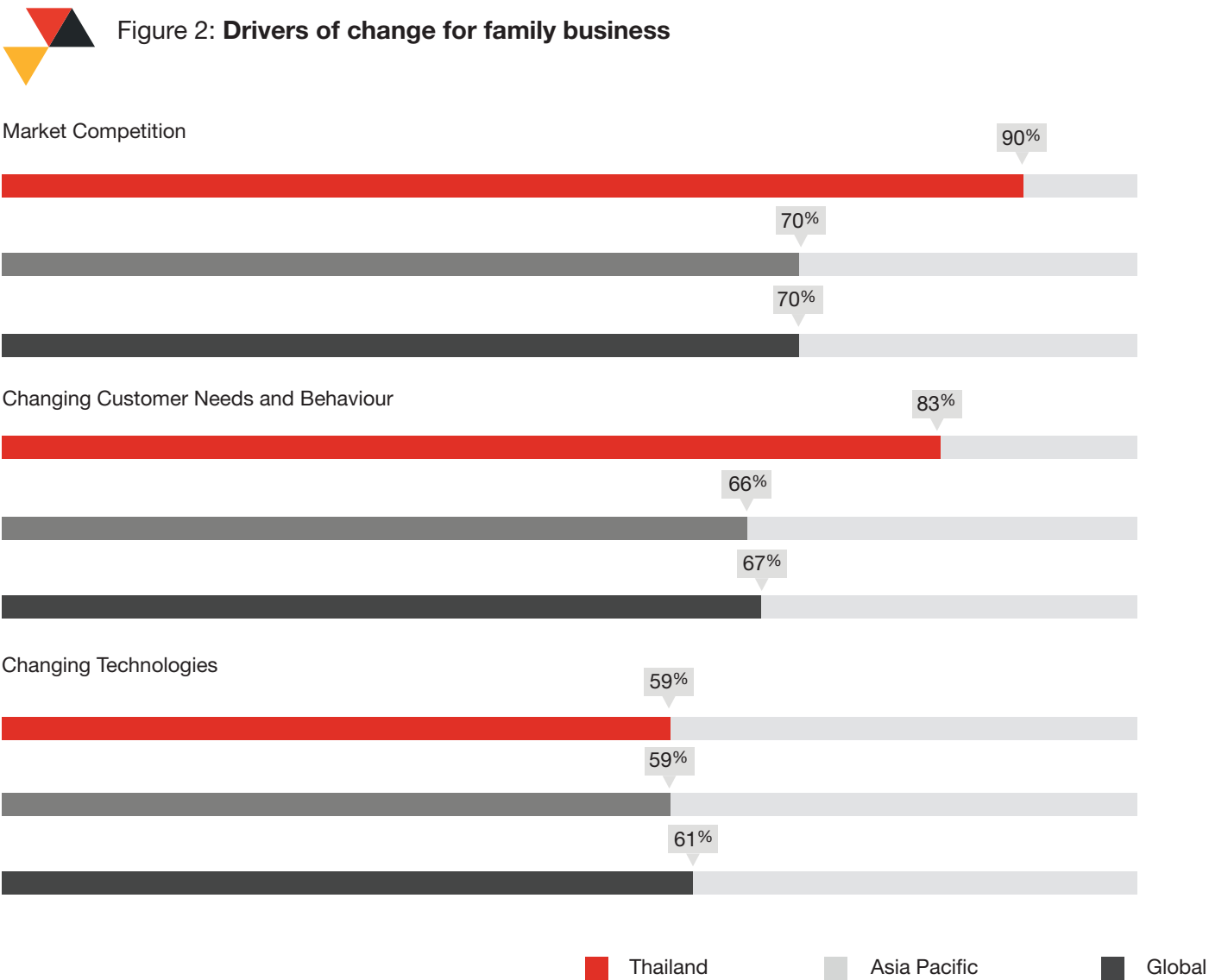
Over the next five years, NextGens are looking to move away from management roles into executive leadership roles in their family business, and/or a majority shareholder role.

For example, the proportion in executive management roles is expected to increase to 48% in 2025 from 24% currently.

Market competition drives change

The world never stops changing, neither does the business environment. Family businesses have changed constantly, forced by fierce competitors, emerging technologies, and changes in customer behaviour. Interestingly, the majority of NextGens from around the world sees market competition as the top driver of change for their family business.

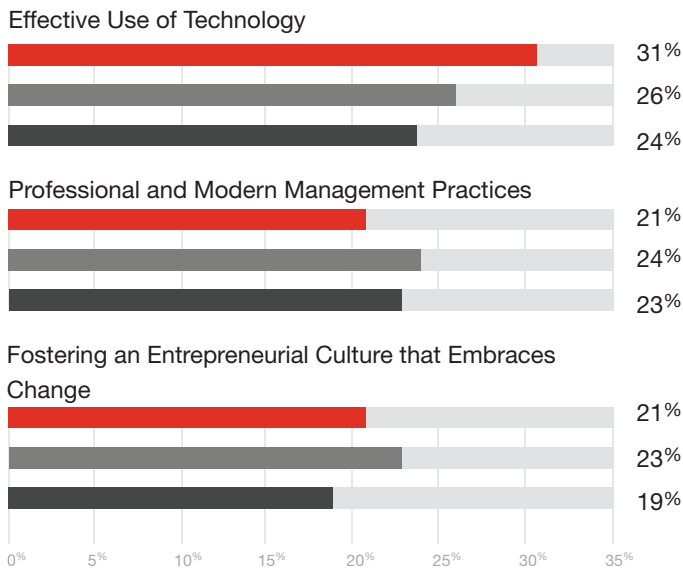
Like their global and Asia Pacific peers, NextGens in Thailand see market competition (90%) as a driver of change for their business (vs Global 70%, Asia Pacific 70%). Other drivers include changing customer needs and behaviour (83%) and new technologies (59%).



Competitor comparison



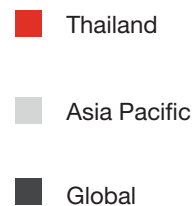
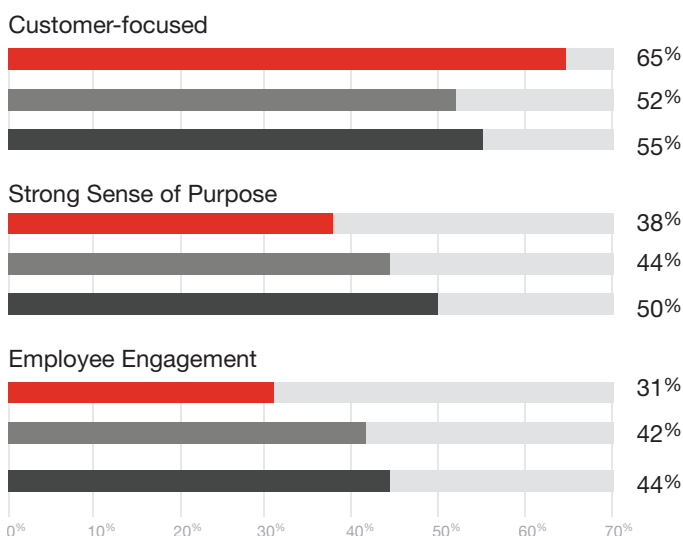
Figure 3: NextGens rate their family business as worse than competitors in these areas



When asked to compare their family business to its competitors, young leaders have the same perspectives: NextGens across the world think that their family business falls behind competitors in using technology effectively, having professional and modern management practices, and fostering an entrepreneurial culture that embraces change. On the other hand, the competitive advantages they have over competitors are customer-focused, strong sense of purpose, and employee engagement.



Figure 4: NextGens rate their family business as better than competitors in these areas



Family business goals and NextGens' added values

Family-owned firms must balance business goals and family goals, which are generating family wealth and maintain family values that last for generations. Optimising the great balance needs a smooth transition when passing the baton from generation to generation. To do this, the heirs must deeply understand the business and be ready to take on the full level of responsibility. The right skills and capabilities needed for the business will also help young leaders fill the gaps where the business needs improvement.

Regarding these issues, NextGens show that they have a good understanding of their family business and also know that they can improve the business utilising capabilities they have to close the gaps. Based on the survey results, there's very close alignment between family business priorities and the areas where the NextGens think they can add most value. For example, having a business strategy fit for the digital age is a key focus for family businesses. Thai NextGens feel that digital transformation is an area where they can personally add most value in realising the family business goals.

For Asia Pacific NextGens, talent is a key business priority and they feel that attracting talent is an area where they can add significant value to meeting their family business objectives.

 **Figure 5: Top priorities NextGens think the business should be focussing on**



 **Figure 6: Top areas NextGens feel they could add most value to**





“ Digital transformation is a challenge for everyone, but it’s something we’ve grown up with. My challenge as a NextGen is to anticipate change, identify new technologies, proactively strategise with our business objective, and ultimately create more value for both our customers and employees.

Visarut Poolvaraluk
2nd generation and Director
Major Cineplex Group PCL

“ For a transition between generations, it isn’t just about passing on business strategies, but core values of the business need to pass on as well to sustain the business longevity.

Poonpat Loharjun
3rd generation and Advisor
Damrongseri Co., Ltd.

Giving NextGens a licence to operate

The young bloods are ambitious and profoundly committed to the family business. They want to lead. They want to add value to the business. They want to secure the family legacy in the digital age. But when the business is facing challenges, they feel that they're not allowed to participate in the decision-making circle, resulting in the feeling of being held back and not having a licence to operate.

The survey found that Thai NextGens want to run business and feel that they can help add more value in skills development (83%), international exposure (59%) and peer-to-peer networking (48%). Skills development is also at the top of the mind of global (61%) and Asia Pacific (62%) young leaders. However, they aren't sure about leadership. A majority of Thai NextGens (76%) report that their current level of experience within the family business constrains the impact they would like to have, compared to 63% in Asia Pacific and 59% globally.



Figure 7: **Top three approaches that help NextGens add value to family business**

Thailand



Asia Pacific



Global

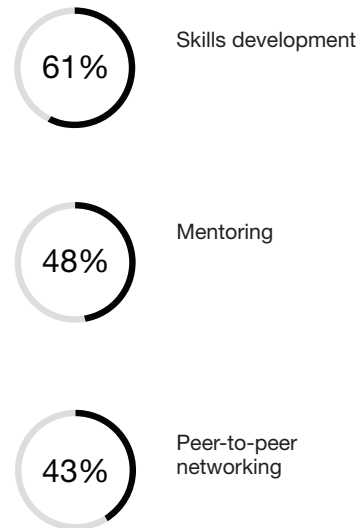




Figure 8: **Top three ways NextGens use to build skills**

Thailand



Asia Pacific



Global



Asking Thai NextGens for self-assessment, the top three skills they feel competent in are problem solving and strategic thinking, operations, and leadership. These respondents believe that these skills are essential to the future role they want to play in the business. To develop these skills, NextGens attend college/university/business school (62%), participate in conferences or seminars (62%) and learn from their peers (62%).

NextGens are looking for greater support and trust to run the family business. After all, it is current generation leaders who give them the licence to operate, getting them involved in the decision-making circle. To help NextGens unlock their full potential, the parents need to provide options for them to develop their experience and knowledge, and then let them run a business in their own way, showing that they are trusted and supported in driving the business.





Recommendations for the NextGens



Preserving your family legacy

Family gives NextGens privileged access to business, knowledge and experience, so don't take these for granted. Young members should learn as much as they can from their family legacy. Respect the current generation's reasons for the decisions they've made.

Be aware of your role and put the family's purpose and values at the top of your agenda. Family businesses with a clear sense of company values often have higher employee loyalty, competitive advantages, and business sustainability.

Acquire knowledge, useful skills and management experience. Constantly seek out technological innovations that could benefit the business to be an agent for change. However, don't try to do it on your own. Learn how to draw on advice and support from your family business as much as possible. And be open to mentoring.



Earning respect

Apart from understanding customer behaviour to offer the right products and services, NextGens must understand their markets as well as the team and people they work with. Every market and industry has its own appeal.

Learning and understanding all aspects of the market and knowing customer behaviour, not only domestically, but regionally and globally, is necessary to see the trends and come up with appropriate strategies. When young leaders apply their knowledge in a way the business needs they will earn trust and respect.

Additionally, earning respect involves a lot of intangible elements. Pay the most attention to your team. Some company staff are experienced and much older than NextGens. Many have worked for a long time and are used to the way they work. Put extra effort into ensuring you're in the same boat with them. For instance, communicate and listen to your teammates on a regular basis will help put you and your team on the same page, moving in the same direction and achieving the same goals.

The secret to earning respect is working twice as hard, learning constantly, being respectful and, in Asian cultures, being humble. When young leaders don't leave any stone unturned, they'll eventually earn respect from current leaders and the people surrounding them.



Managing human capital

More than half of the NextGens believe that focussing on people management (attracting and retaining talent and upskilling staff) is one of top priorities of their family business.

As a leader, this area is constantly a hard part as they need to ensure all operation, process, and people work collaboratively. Good teams consist of putting all strengths of each team member together, resulting in good dynamics and effective performance.

NextGens should know people's perceptions of them, and also be able to assess the characters and identify the strengths of the key people in the business. Balance all strengths and unique qualities to provide a flat platform to engage with your teammates and your people. This is also an opportunity to optimise your family's resources and network to strengthen the business. Run the business aligned with the values set out by the current generation.

In summary, to take over the entire responsibility and authority of the family business, NextGen leaders need to convince the current leaders of the family business to support you in developing skills and experience, and then to allow you the opportunity to prove your worth.

“Three things we should keep in mind when taking the leadership role are, firstly, respect and humility to people who have worked before, secondly, feel a sense of ownership of the family business, and lastly, take ethics seriously as a guiding principle for business sustainability.

Wongsakorn Sirimongkolkasem
2nd generation and General Manager
Krunghthai Food PCL



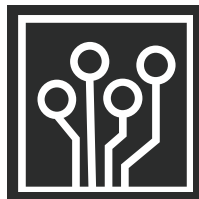
Recommendations for current leaders



Setting and promoting clear values

For a family business, more than any other, values are a source of success, commitment, and longevity. The changing business environment and stakeholder expectations with the profit concept may unconsciously impact the family business' values when running a business. To have real and tangible values, work closely with the NextGens to set out clear values and leverage these values to create a competitive advantage to secure a lasting legacy that's fit for the future.

Family firms also need support from flexible governance structures and an open-minded board prepared to encounter changes. So, help develop an effective governance structure that creates a coordinated way for all stakeholders to be involved in decisions, and activities promoting meaningful participation in sustaining commitment to the family's legacy and unity.



Providing opportunities and embracing change

Each generation has a different perspective. It's the current leader's role to find opportunities for future leaders to set up and manage an internal business and let them work on their business initiatives with proper support and mentoring. Share the lessons of your successes, but more importantly, the lessons of your failures. Help them develop their own leadership qualities.

For a smooth transition, it's best to have a mindset that is flexible and focussed on ensuring the business remains sustainable. Provide options for them to develop their experiences and knowledge, not making them feel forced into anything. Be open to new technologies and innovations. Look for ways to incorporate them into the family business.



Effective and direct communication

In Asia, communication between generations is less direct than in Western cultures. But the younger generations in Asia are becoming more outspoken and are demanding clearer answers. So, current leaders should gradually instill a culture of open and direct communication. Listen to the NextGen's ideas and initiatives. Also share best practices and feedback with them. Be honest and share as much information as possible with the future leaders to help them access the inner circle. Communicate clearly what you expect from the NextGens. Start this process early in a young leader's career because the culture of openness will help create a common strategy understood by both generations.

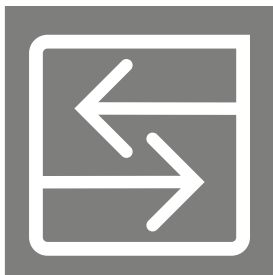
NextGens have different ways of doing things

The way NextGens see themselves and their roles in the family business is not uniform. We identified four distinct NextGen personas and their projected career paths.



Stewards

Focus on protecting the profitability of the family firm and ensuring its long-term sustainability.



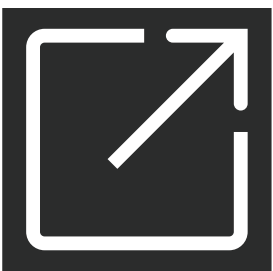
Intrapreneurs

Set up their own venture within the family business, often with family financial backing.



Transformers

Drive significant change in the family firm, with the scope and support to do so.



Entrepreneurs

Set up their own separate venture, with no profits going back to the family business.

To find out what persona you're most likely fit, take [this short quiz.](#)

PwC Thailand's NextGen Club: Holistic approaches to connect, learn, and lead

Realising the important role of family business leaders, we have initiated the NextGen Club in 2019. The club offers young leaders and successors a holistic programme of training so that future leaders can learn, lead, and connect.

This is also 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.

Connect



Connecting with other NextGens in Thailand will enable you to freely ask questions about challenges and successes, including sharing issues and different ways of running a business. Become part of our regional and global NextGen network and meet top tier executives, leaders of multinational corporations, and high net worth family business members from around the world. We help you make the connections to the networks that matter most to you.

Learn



At PwC Thailand's NextGen Club, our academic programme is built around young leaders. We offer experiential learning, inspiration and personal development. Future leaders can learn first-hand from current business practitioners in an exciting and inclusive environment to build a lasting competitive advantage through values and purposes.

Lead



Our programmes and training courses are designed to leverage members' strengths and talents. NextGens will be equipped with confidence and leadership skills to better address challenges so they can stay ahead of the game.

About the survey's methodology

PwC's Global NextGen Survey 2019 canvassed nearly 1,000 respondents who are becoming, or aspiring to become, family business leaders. An online survey was carried out by [Meridian West](#) between 10 June and 13 September 2019. In total, responses were collected from 956 next-generation family business leaders across 69 territories, including 31 respondents from Thailand.

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