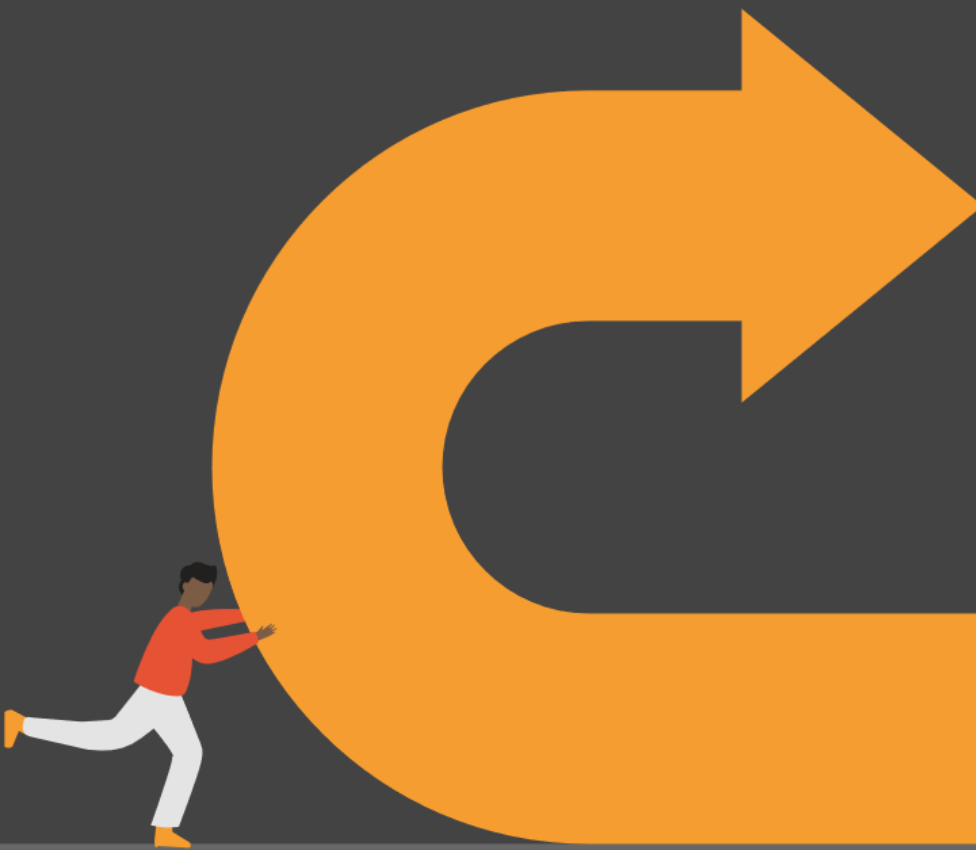


From trust to impact.

Why family businesses need
to act now to ensure their
legacy tomorrow





Foreword

Family businesses have been an important pillar of Thailand's economy. This business sector has contributed impressive growth, providing long term steadiness and commitment, and a sense of responsibility to their employees and the nation. Family businesses are inherently resilient, whether recently-founded or long-established. They have survived and thrived in tough environments.

The unprecedented COVID-19 pandemic has presented family businesses with enormous challenges, which are different from those of public companies and other types of private businesses. Although many of them have demonstrated significant resilience amid the crisis, the rapidly changing state of the world has served as a wake-up call for family business leaders looking towards the future.

As such, the Global Family Business Survey 2021 – Thailand Report, 'From trust to impact. Why family businesses need to act now to ensure their legacy tomorrow,' comes at a time of extraordinary transformation. The Thailand report, part of a wider global network survey, attempts to understand the implications of COVID-19 on business and leadership.

Family business leaders in Thailand from various sectors participated in the survey. Questions focussed on business growth, COVID-19's impact, challenges and opportunities, as well as the family dynamic in management. The Thailand Report also discusses global trends such as digital technology and social responsibility.

The findings show that Thai family businesses admit that COVID-19 will lead to a reduction in sales and for the next two years, the leaders will navigate their business through challenges by prioritising new markets or client segment expansion, the use of new technology and core business protection.

In a family owned-business, the ability to communicate effectively with all members is crucial. The survey shows that levels of communication and transparency for Thai family business are felt to be quite high. But family alignment on company direction and levels of trust are not as strong as the levels of communication and transparency.

In this uncertain situation, it's no longer enough to rely on the same set of values and legacy to propel the business forward. Tomorrow's family business requires a new approach for lasting success, one based on accelerated digital transformation, prioritising sustainability goals and professional family governance.

We believe that family businesses remain an important driver of Thailand's economy. While COVID-19 has presented professional challenges, there is also a unique opportunity here for leaders to seek a plan for the future of their business, formulating and executing proper strategic approaches for sustainability and resilience. This should enable impacts that will ensure their businesses today and legacy for the future.



Niphan Srisukhumbowornchai
Entrepreneurial and Private
Businesses Leader,
Clients and Markets Leader
Tax and Legal Partner,
PwC Thailand



Introduction

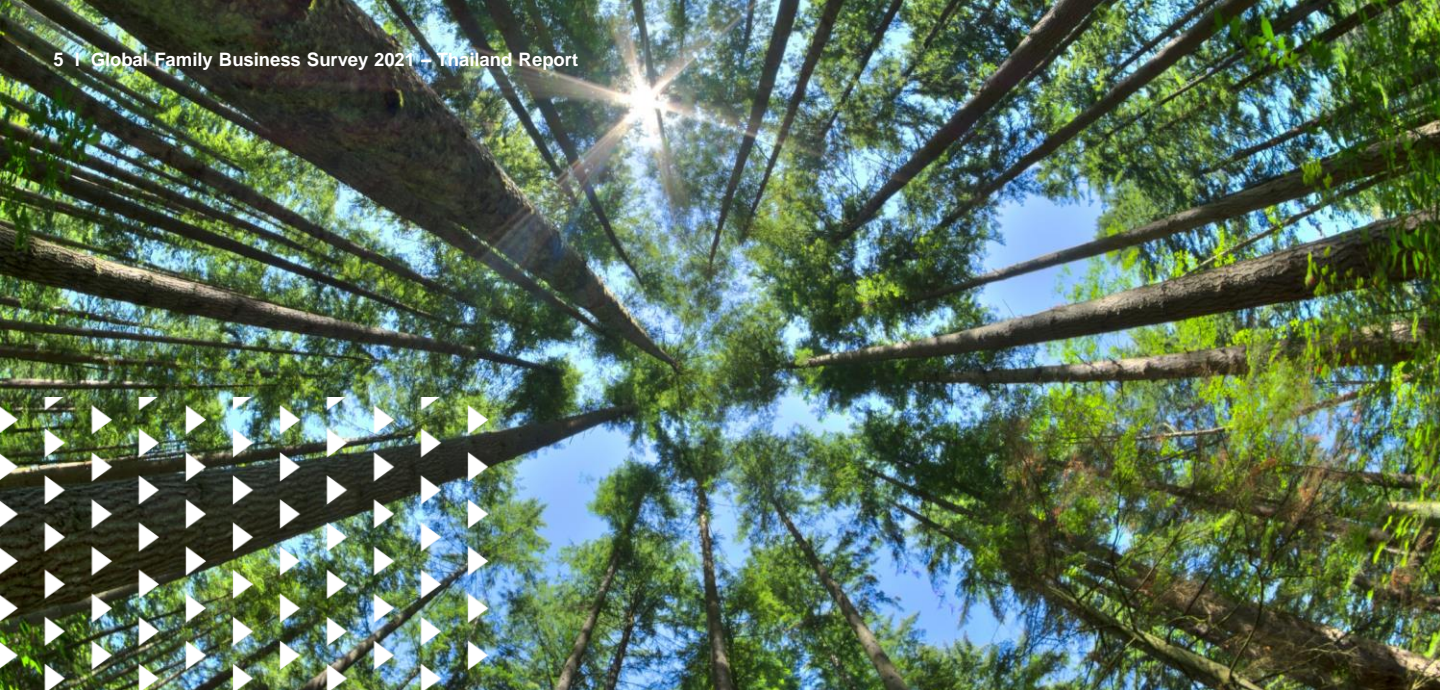
The COVID-19 pandemic has brought dramatic changes to the world with significant implications for all organisations and companies. Family businesses are no exception. However, family businesses have specific characteristics that enhance their resilience when conditions are difficult.

Family cohesion, trust, clear communication channels and flexible decision-making are competitive edges that family businesses have been using to handle the current crisis. The ability to prepare for the 'new normal' is critical to the future of family businesses and all the people who are relying on them.

PwC's current Global Family Business Survey – Thailand Report, presents findings on how family firms set business goals and strategies, what challenges they face and how they respond to survive and thrive.

Values remain a foundation to running family firms and building long lasting success. To get a clearer picture of Thai family business leaders, our findings are compared with those in the Global Family Business Survey 2021 - Global report.





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Organisation

performance



Impact of COVID-19 on family businesses in Thailand

Thai family businesses saw a mixed performance over the last financial year (before COVID-19), with 39% experiencing growth and 31% seeing a sales reduction. Thailand's situation was worse than the global picture. Globally, 55% of family businesses grew while only 19% shrunk.

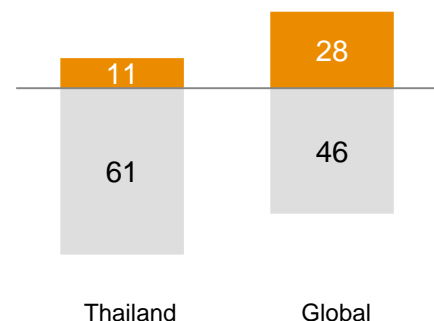
Growth in Thailand was slower than the global average before the impact of COVID-19. Some 61% of Thai family businesses feel COVID-19 will lead to a decline in sales, which is higher than the 46% of global family businesses who feel that.

% Growth in the last financial year (pre-COVID-19)



% Impact of COVID-19 on sales

In the last year, 72% of Thai family businesses saw a decrease in profits (51% globally) and a 3% reduction in equity ratio (13% globally)



Q10. Looking back over the last financial year BEFORE THE COVID-19 PANDEMIC would you say your sales have been...?

Q11. And what do you think the impact of the COVID-19 pandemic will be on your sales?

Q18. Has the business experienced any of the following in the last 12 months?

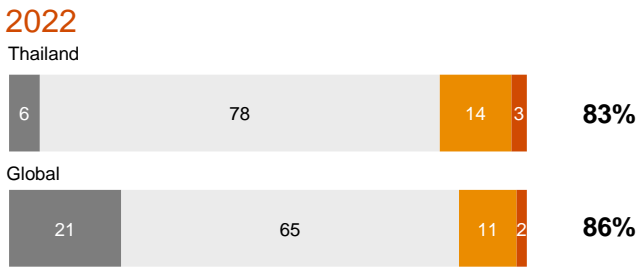
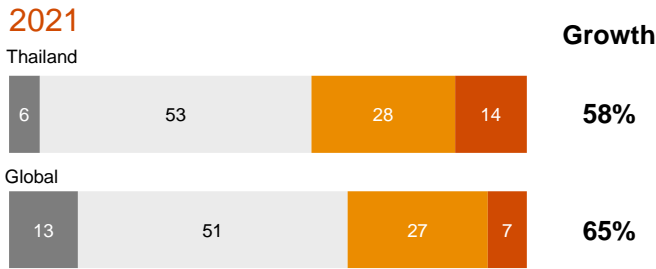
Family businesses expect growth in 2022



Growth aims in Thailand are cautious in 2021 but fairly ambitious for 2022. 58% of Thai family businesses expect to see growth in 2021, compared with 65% globally. But 83% expect to see growth in 2022, compared with 86% globally.

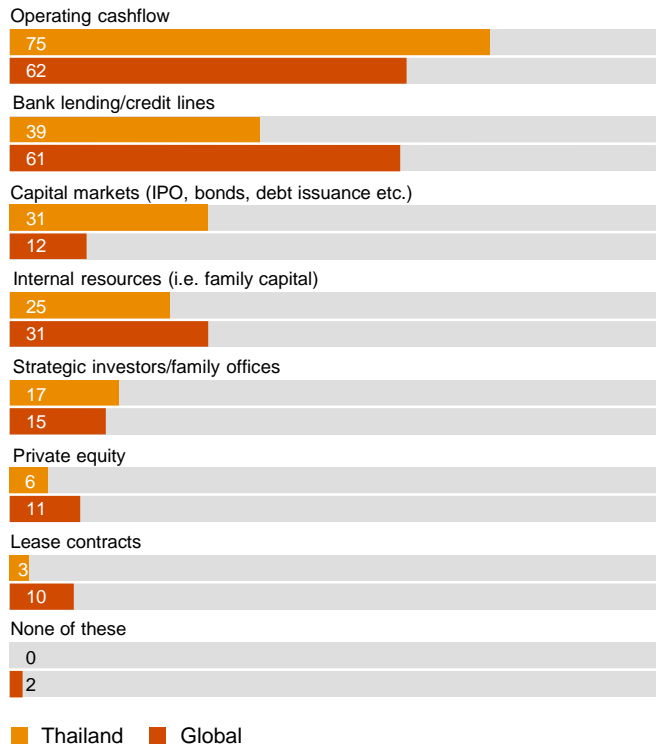
Traditional forms of finance (such as operational cashflow and bank lending) will be the primary method for driving growth for both Thai and global family businesses.

% Growth ambitions for 2021 and 2022



- Grow quickly and aggressively
- Grow steadily
- Consolidate
- Contract/downsize to survive

% Sources of finance in the future



25% had a need for additional capital in the last year (21% globally)

Q12. Which of the following best describes your company's ambitions for 2021 and 2022?

Q13. Which of the following do you plan to use to help finance the business in the future?

Q18. Has the business experienced any of the following in the last 12 months?

Base: all Thailand respondents (2020: n=36), all Global respondents (2020: n=2801)



Organisation priorities

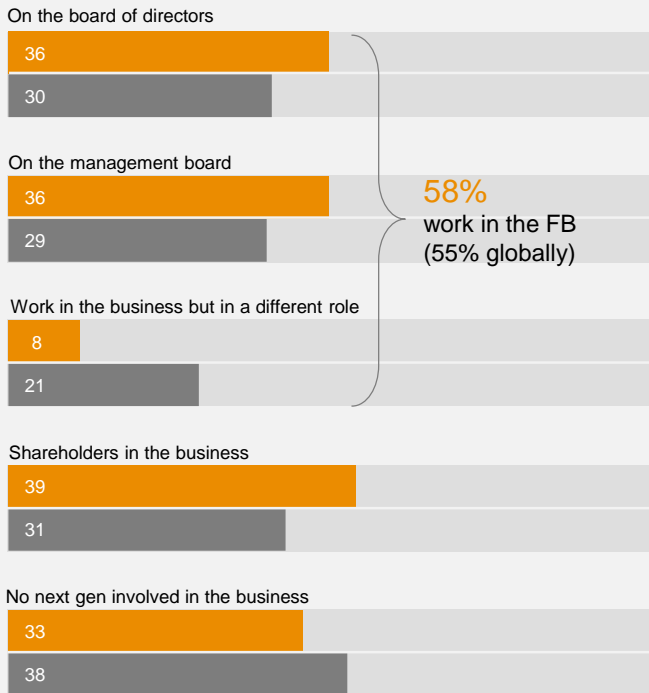


Expectations of Thai family businesses

58% of Thai businesses have next generation family members working in the business, compared with 55% of global family businesses.

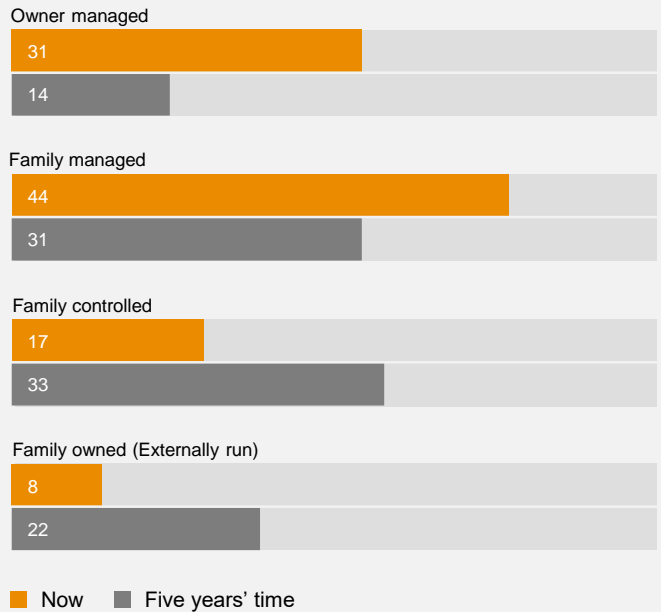
In five years' time 55% Thai family businesses expect to be family controlled or family owned (externally run).

% Next gen involvement?



■ Thailand ■ Global

% Governance structure in five years' time?



Q14. Are there any next generation family members involved in the business who...

Base: all Thailand respondents (2020: n=36), all Global respondents (2020: n=2801)

Q7. Please plot where you think your company CURRENTLY lies on the model below
Q8. And where on the model do you think your company will be IN FIVE YEARS' TIME?

Base: all Thailand respondents (2020: n=36)

Top five priorities over the next two years

Thailand family businesses are much more likely to prioritise survival and expansion into new markets and client segments than global family businesses, who are more likely to prioritise digital transformation.

Issues related to innovation and digitalisation as well as diversification and expansion are the key priorities in Thailand. On the other hand, sustainability issues are lower down the priority list. However, 56% are focussing on survival and protecting their core business.

% Key priorities over the next two years (Top 5) – Thailand compared to Global

		Global
Expanding into new markets/client segments	69	55%
Increasing use of new technologies	64	49%
Protecting our core business - covering costs/survival	56	37%
Rethinking/changing/adapting the business model	53	39%
Introducing new products/services	50	50%
Improving digital capabilities	42	52%
Increasing investments in innovation and R&D	33	28%
Reimagining our approach to how we measure success	22	10%
Increasing collaboration with other companies	19	21%
Pursuing strategic acquisitions/mergers	14	30%
Increasing next gen involvement in decision making/mgmt	14	24%
Increasing organisation's social responsibility	11	16%
Reducing organisation's carbon footprint	6	15%
Supporting local community via increased investment/activity	6	8%
Reducing dependencies along the value chain	3	11%

■ Digital, Innovation, Technology (83%)
 ■ Expansion/Diversification (86%)
 ■ Evolving/New thinking (72%)
 ■ Sustainability/Local community(33%)
 ■ Other

Q21. Which, if any, of the following are the company's TOP FIVE priorities for the next two years?

Base: all Thailand respondents (2020: n=36), all Global respondents (2020: n=2801)



Thai family businesses focus more on expansion and digitalisation

Family businesses in Thailand are more likely to have at least one issue related to evolution/new thinking but are less likely to mention a sustainability issue or the local community as a key priority compared with the global average.

% Key priorities over the next two years – Thailand compared to Global



Digital/Innovation/Technology

83%



Expansion/Diversification

86%



Evolution/New thinking

72%



Sustainability/Local community

33%



■ Thailand ■ Global

Q21. Which, if any, of the following are the company's TOP FIVE priorities for the next two years?

Base: all Thailand respondents (2020: n=36), all Global respondents (2020: n=2801)

Short term approaches for long-term goals

In the longer term, over three quarters of Thai family businesses want to protect the business as the most important family asset. The hierarchy of goals is similar to those of global family businesses.

% Important personal long-term goals (5+ years)

Protect the business as the most important family asset



Ensure the business stays in the family



Create dividends for family members



Create a legacy



Create employment for other family members



■ Thailand ■ Global



Q27. How important are the following longer-term goals to you i.e. OVER THE NEXT FIVE YEARS OR LONGER?

Base: all Thailand respondents (2020: n=36), all Global respondents (2020: n=2801)



Adaptability and agility

Roles and responsibilities are in place, but not clear

Clarity of roles and strength of leadership was lower in Thai family businesses than globally. Thai family businesses are less likely to embrace change. Only 28% feel they have strong digital capabilities, compared with 38% of global family businesses.

Family businesses in Thailand are less positive about the clarity of roles and strength of leadership within the business compared with globally. Additionally, fewer Thai family businesses than global feel that they embrace rather than resist change.

% Agreement with statements (Top 2)

There are clear roles and responsibilities for those involved in running the business



We have access to reliable/timely info/data that feeds into the decision-making process



We have the ability to change course at short notice because of the company's liquidity



There is a resistance within the company to embrace change



We have a clear and flat governance structure



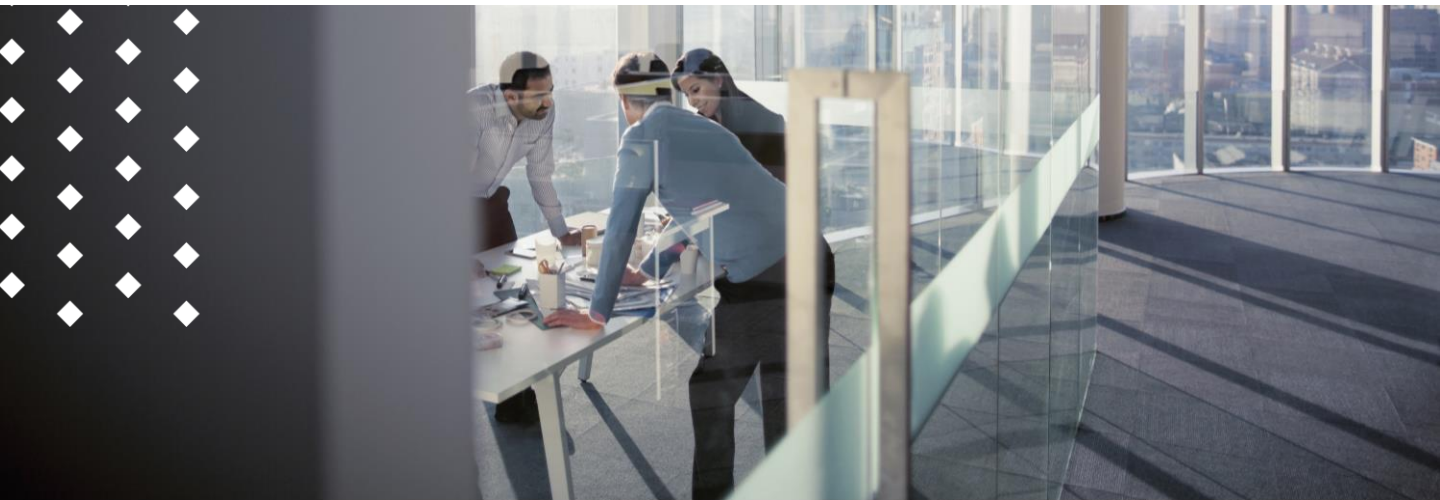
We have strong digital capabilities



We have a strong leadership team in place

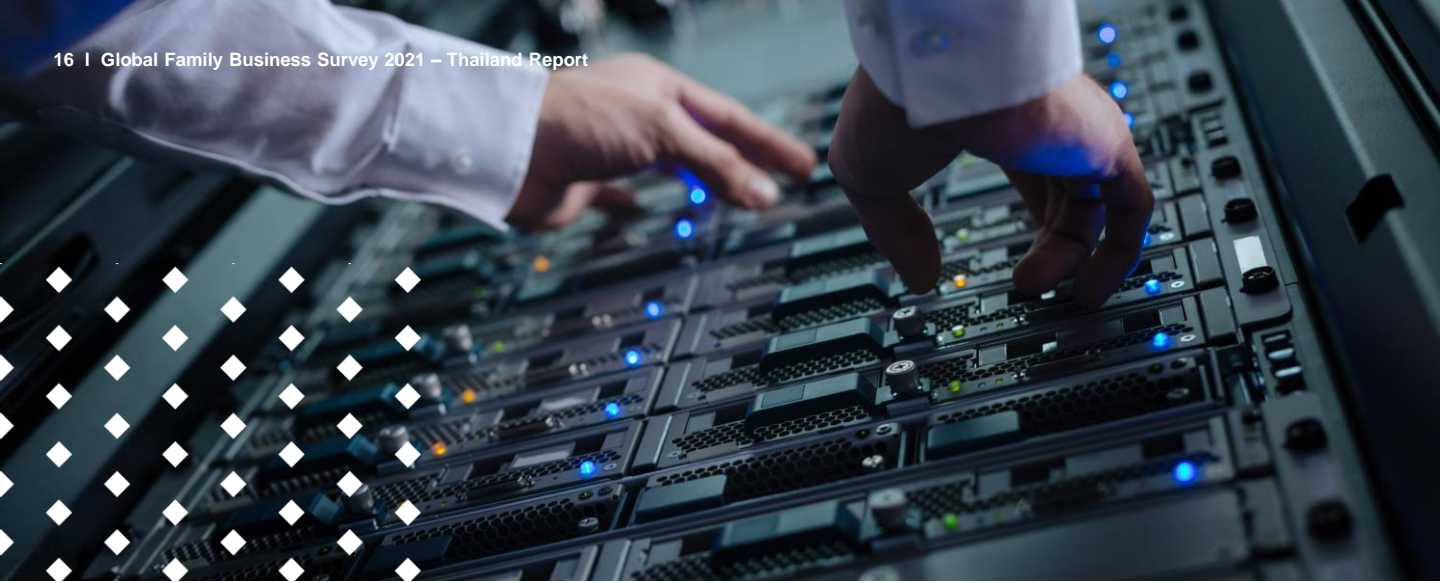


■ Thailand ■ Global



Q28. How strongly do you agree or disagree that...

Base: all Thailand respondents (2020: n=36), all Global respondents (2020: n=2801)



Digital capability is no longer a priority

Only 17% of Thai family businesses say that digital is ‘fixed’ - in other words, they have strong digital capabilities and it is no longer a priority. Only 28% feel they have strong digital capabilities, which compares unfavourably with the 38% of global family businesses who feel they have strong digital capabilities.

% Summary of Thailand digital capabilities and priorities



11%

Strong and it's still a priority
(19% globally)

17%

Strong, it's no longer a priority
(19% globally)



31%

Not strong but
it's a priority (33% globally)

42%

Not strong and
it's not a priority (29% globally)

Q28. How strongly do you agree or disagree that... Base: all Thailand respondents (2020: n=36)

Base: all Thailand respondents who agree/disagree their business has strong digital capabilities (2020: n=17)



Family cohesion and trust

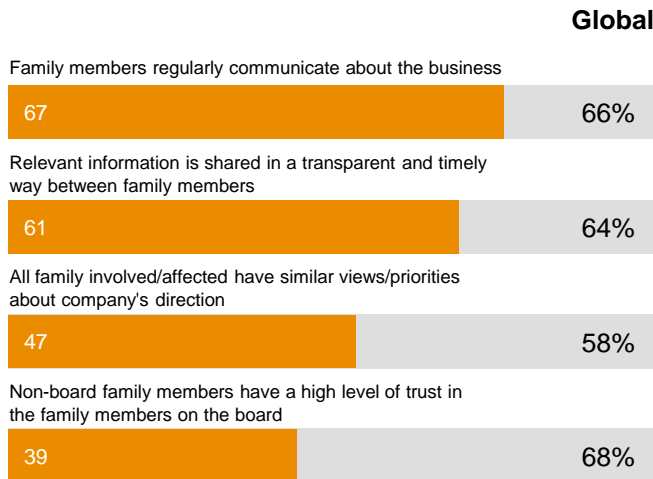
Members are transparent and regularly communicate



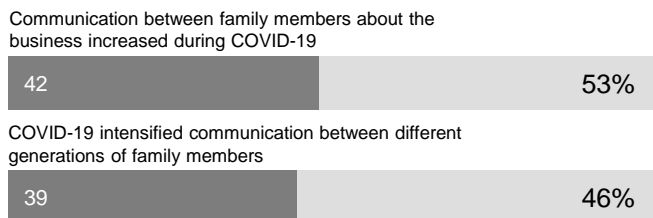
Levels of transparency and communication are felt to be quite high. But only 47% say there is family alignment on the company's direction and levels of trust are much lower than the global average.

Amid the COVID-19 crisis, Thai family businesses provide support for staff and are more likely to make some form of financial sacrifice than their global counterparts.

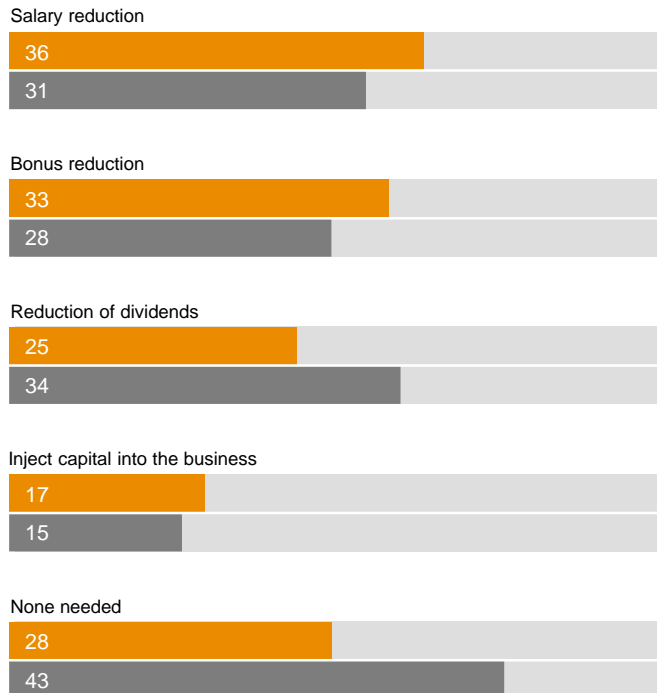
% Agreement with statements (Top 2)



COVID RELATED:



% Sacrifices made by family shareholders



Q26. How strongly do you agree or disagree that...

Base: all Thailand respondents (2020: n=36), all Global respondents (2020: n=2801)

Q20. Which of the following sacrifices, if any, have family shareholders made as result of the COVID-19 pandemic?

Base: all Thailand respondents (2020: n=36), all Global respondents (2020: n=2801)



Values and mission to build long lasting success

Only 56% of Thai family businesses have a clear sense of company purpose and/or family values. Some 44% of them agree that the family owning the business has a clear set of family values, compared with 70% of global family businesses. Additionally, only 42% have their values and company mission in written form, which is similar to the 44% for global family businesses.

% Agreement with statements (Top 2)

The family have a clear sense of agreed values and purpose as a company



The values of the family that owns the business define clear expectations for family members



The family have a documented vision and purpose statement (mission) for your company



The family that owns the business has a clear set of family values



The family have the family values and mission for the company articulated in written form



The family have a defined code of conduct

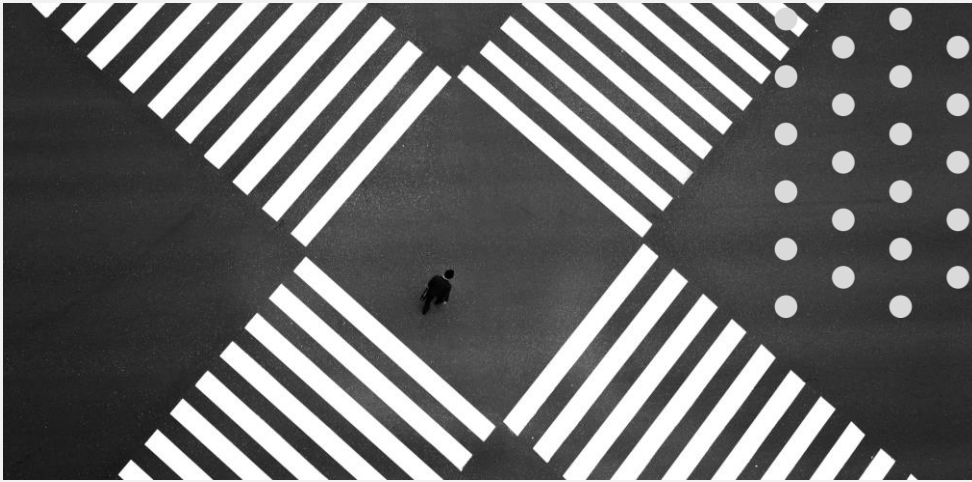


■ Thailand ■ Global

Q24. How strongly do you agree or disagree that....

Base: all Thailand respondents (2020: n=36), all Global respondents (2020: n=2801)

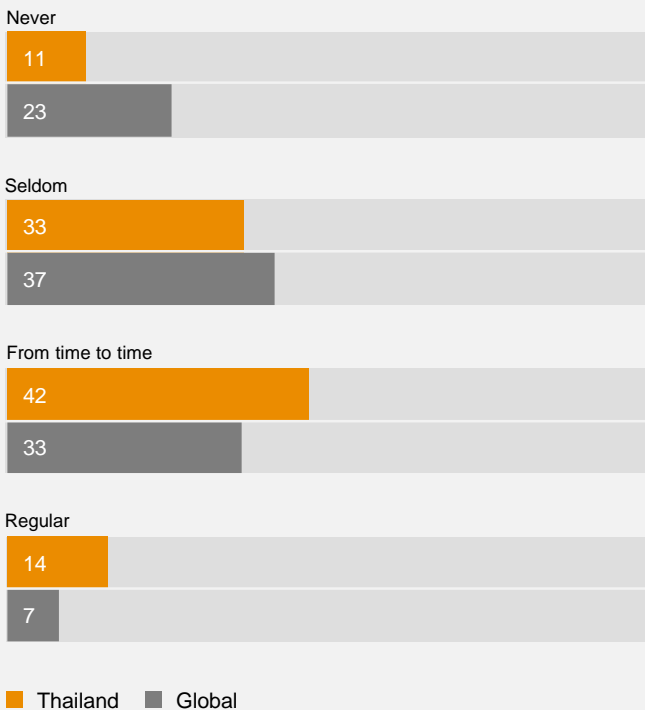
Base: all Thailand respondents agreeing with each statement (2020: n=14-20)



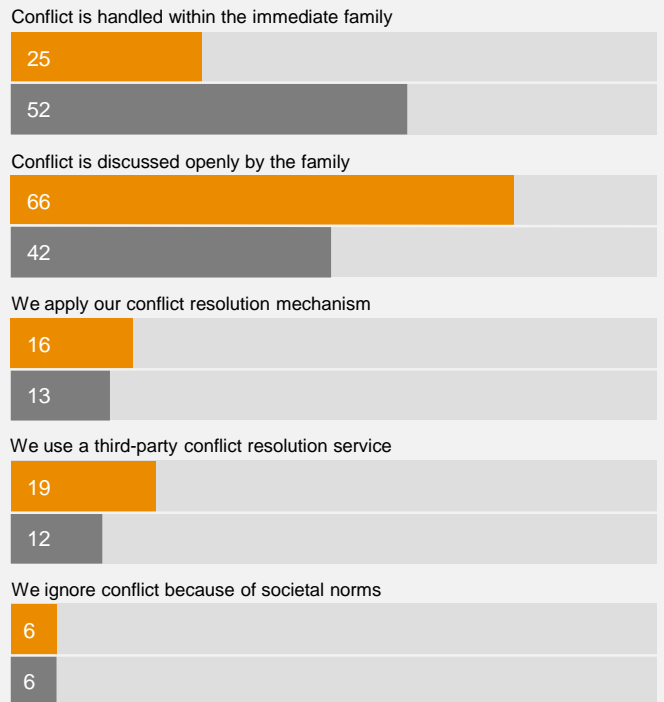
Managing family business conflict

Almost 90% of Thai family businesses admit that family conflict occurs within the business. This is higher than the global average of 77%. Typically it is discussed or handled within the family without using third parties or resolution mechanisms, which may explain why the levels of conflict remain high.

% Does family conflict occur within the business?



% How is this conflict handled?



Q22. Would you say family conflict within the business is something that...

Base: all Thailand respondents (2020: n=36), all Global respondents (2020: n=2801)

Q23. Which of the following (if any) describe how family conflict is handled in your company?

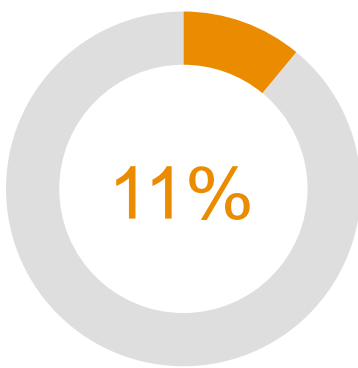
Base: all experiencing family conflict in business - Thailand respondents (2020: n=32), Global respondents (2020: n=2160)



Succession plan for business sustainability

Only 11% of Thai family businesses claim to have a robust, documented and communicated succession plan in place, compared with 30% of global family businesses.

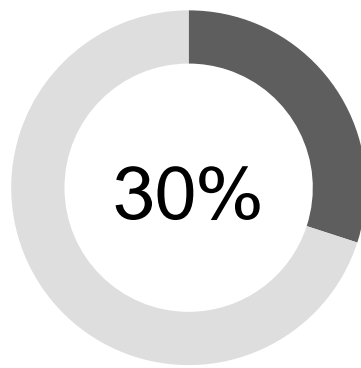
% Have a robust, documented and communicated succession plan in place?



Thailand

3%

of Thai family businesses revised their succession plan in light of COVID-19 (the remaining 8% did not)



Global

9%

of global family businesses revised their succession plan in light of COVID-19 (21% did not)

■ Thailand ■ Global

Q16. Does your company have a robust, documented and communicated succession plan in place?
Q17. Has this succession plan been revised in light of the COVID-19 pandemic?

Base: all Thailand respondents (2020: n=36), all Global respondents (2020: n=2801)

Total impact

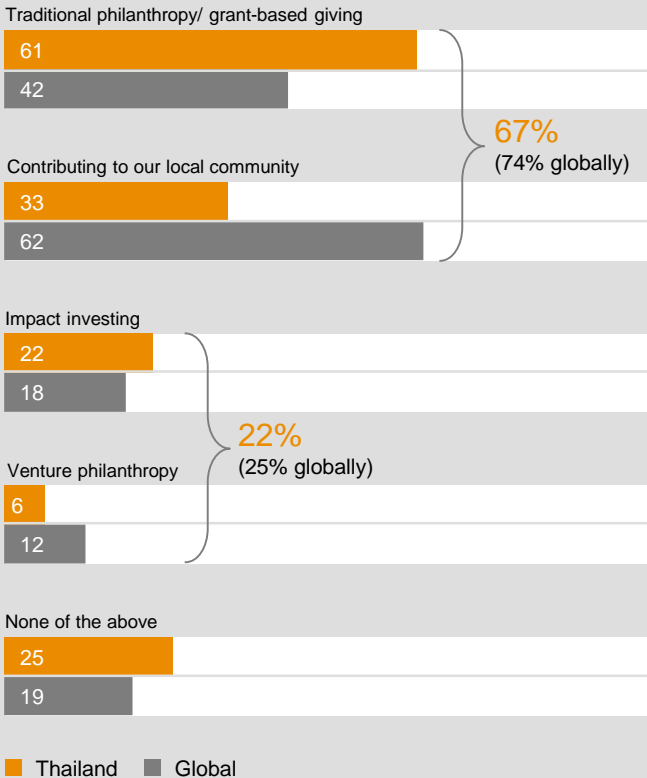


Family business and social responsibility

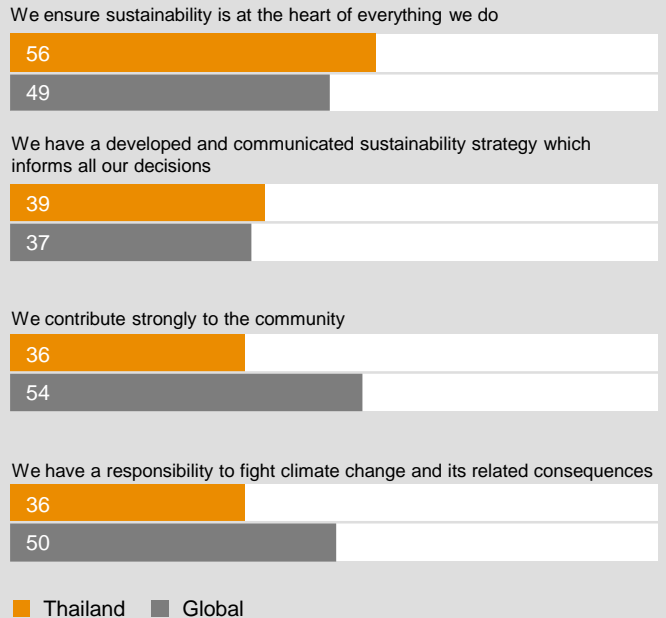
75% of Thai family businesses engage in some form of social responsibility. This tends to involve traditional forms of philanthropy or contributions to the local community.

Only 36% of family businesses in Thailand feel they have a responsibility to fight climate change and its related consequences, compared to 50% globally. However 56% of Thai family businesses ensure that sustainability is at the heart of everything they do, compared to 49% globally. Over a third (39%) of Thai family businesses have a developed and communicated sustainability strategy, which is higher than the global average.

% Activities engaged in?



% Agreement with statements (Top 2)



Q31. Which, if any, of the following does the business or the family owning the business engage in...

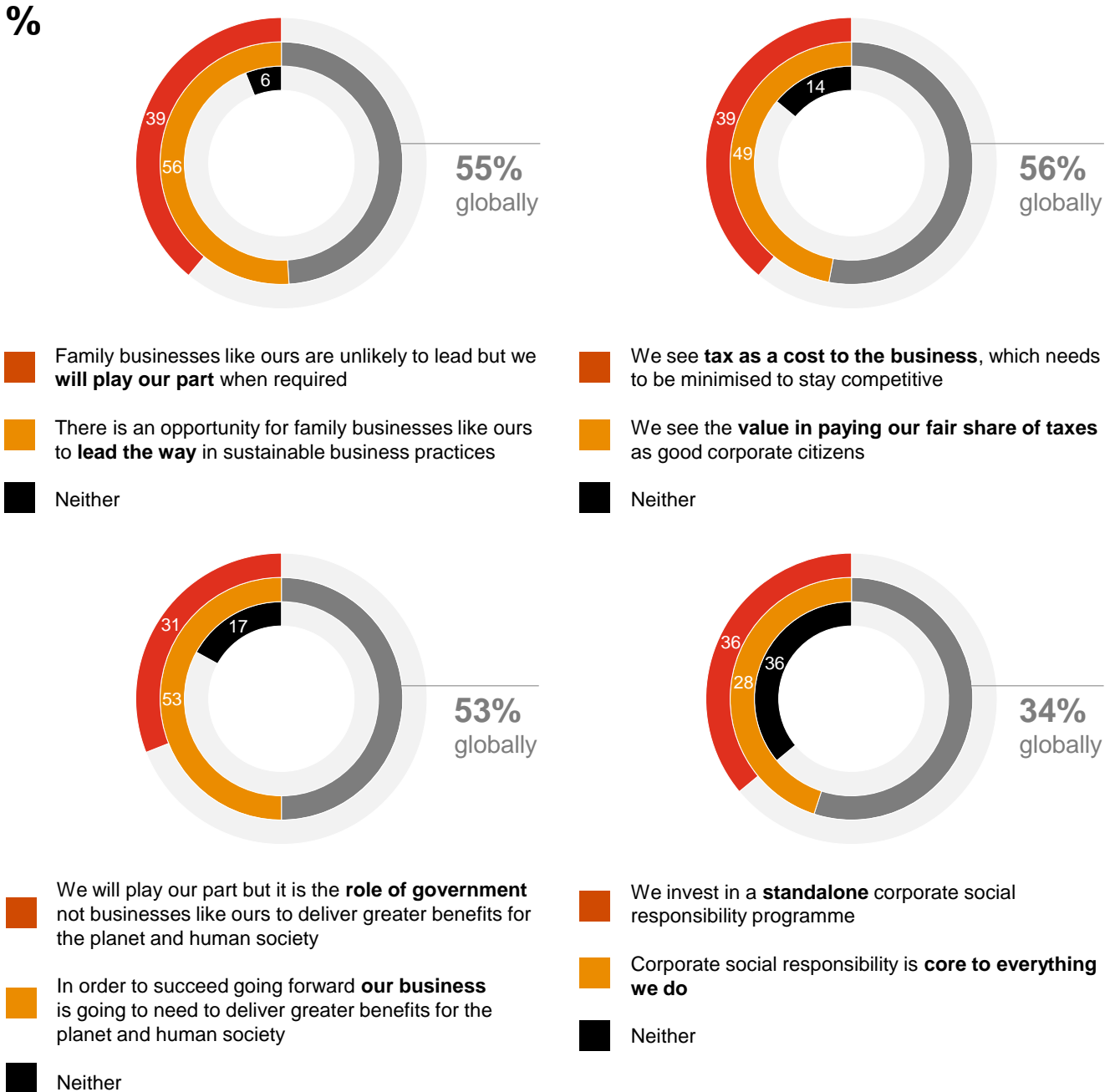
Base: all Thailand respondents (2020: n=36), all Global respondents (2020: n=2801)

Q32. How strongly do you agree or disagree that...

Base: all Thailand respondents (2020: n=36), all Global respondents (2020: n=2801)

Taking a lead role in sustainable business practices

Future intentions are more encouraging though with 56% of Thai family businesses saying there is an opportunity for their family business to lead the way in sustainable business practices, compared to 55% of global family businesses.



Q33. Which of the statements below best describes the way you feel about the role of your family business today?

Base: all Thailand respondents (2020: n=36), all Global respondents (2020: n=2801)



Conclusion

The current COVID-19 pandemic has brought challenges to family businesses with the need to immediately adapt, innovate and invest more than ever.

Leaders of Thai family businesses realise that the same ways they have been running the business may not necessarily be the most appropriate to ensure the longevity and prosperity of their business.

The ability to compromise on core family values and business models may be the key to future success. This includes business agility to the new normal, prioritisation of short-term goals, and investment in innovation and skilled resources for sustainable and profitable growth.

Nevertheless, family-owned businesses with their unique strengths know when best to harvest or leverage, which has led to repeatedly reaching their milestones and generating consistent growth from generation to generation.

There is no formula for a family business. But running the business with trust, like never before, should be a strategic priority for the future success and longevity of all family businesses.



About the Family Business Survey

The Family Business Survey is a global market survey of key decision makers in family businesses within PwC's key territories. The goal of the survey is to understand what family businesses are thinking on the critical issues of the day.



2,801
interviews
conducted with
key decision
makers in family
businesses



Online interviews
averaging 17-18
minutes and
conducted in local
language



Interviews were
conducted
between
5 October and
11 December
2020



Across
87
territories



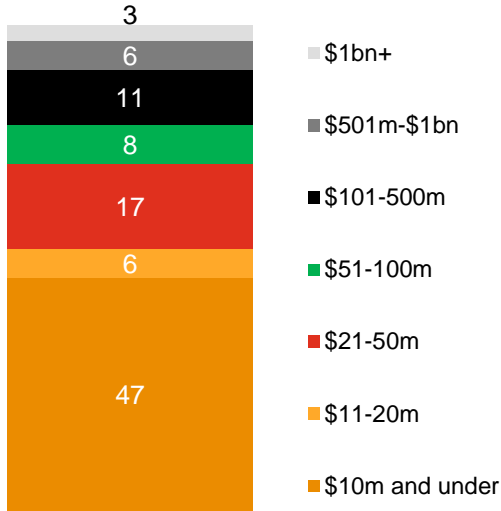
36

interviews were conducted in Thailand in this period

Thailand company profile – which companies did we interview?

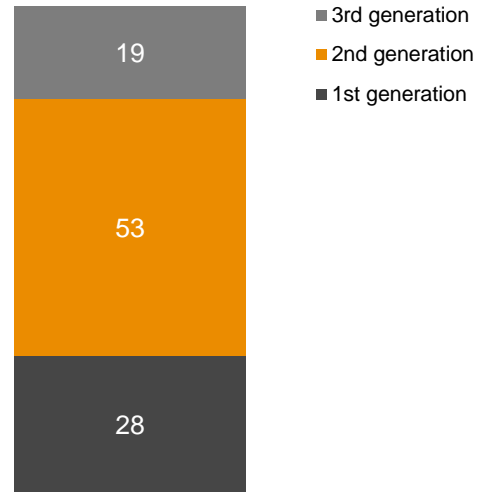
%

Turnover (sales) (US\$)



2020

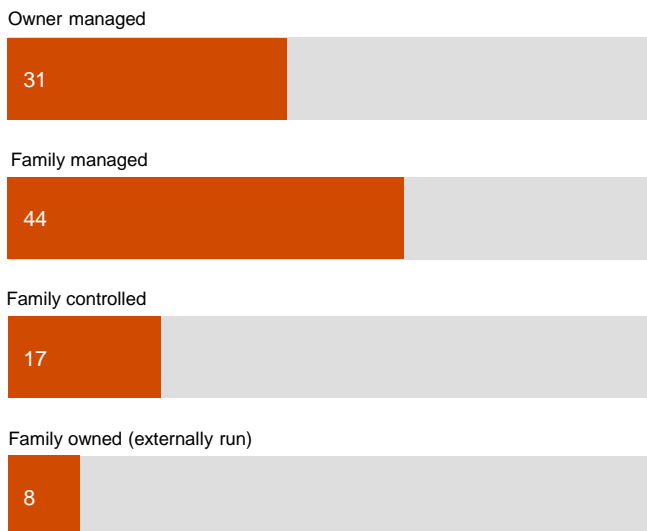
Shareholder majority



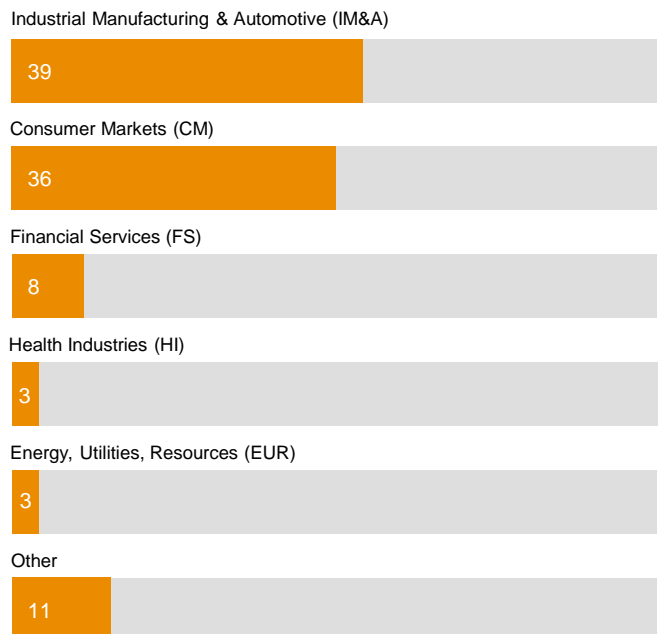
2020

On average, 14% of 2019 sales were new products/services

Family's role in the business



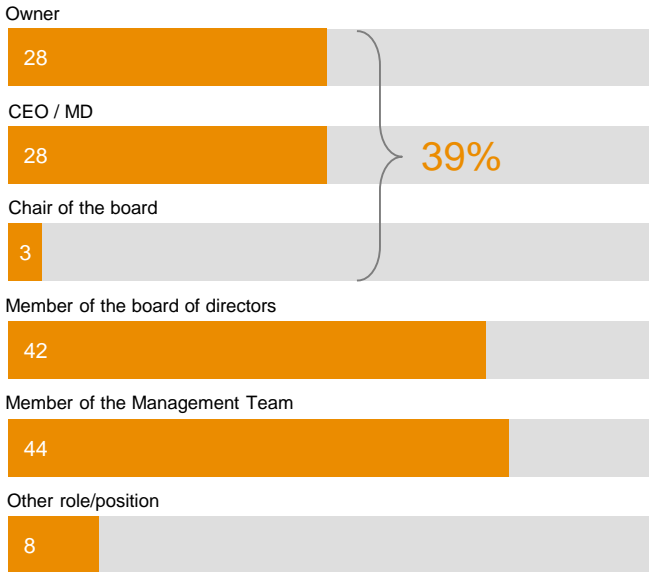
* Sector (2020)



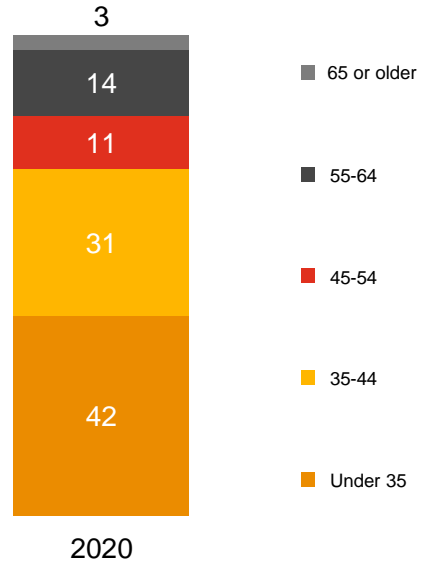
Thailand respondent profile – who did we speak to?

%

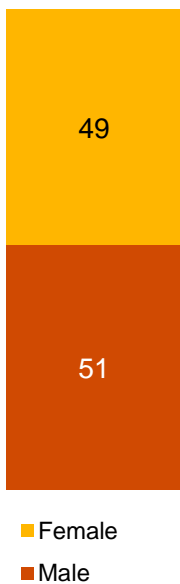
* Current job role/position



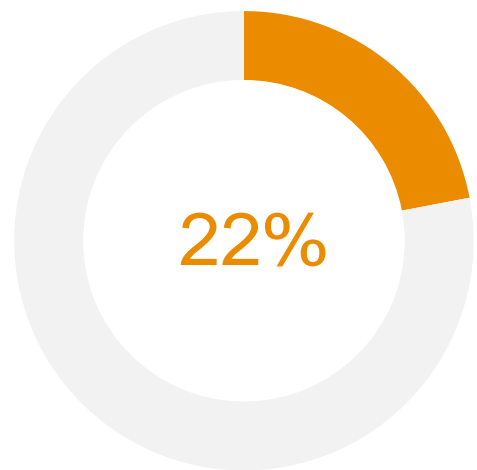
Age



Gender



Family Business Network (FBN) member



Contact us



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