



www.pwc.com/nextgensurvey

NextGen Survey 2019

Vietnam in focus

March 2020



“Listen to the
opinions of
the younger
generation.
Allow them to
try out new
ideas...”

Next Generation, Vietnam

Foreword



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Family businesses are considered the backbone of many economies throughout the world. According to data from the Family Firm Institute, it is estimated that these family businesses contribute to annual global gross domestic product (GDP) of around 70 – 90% and create 50 – 80% of jobs in the majority of countries globally. In Vietnam, domestic private sector (include family business) accounted for about 42% to the country's 2018 GDP⁽¹⁾.

It should be noted that the vision and drive of the founding generation gets diluted from one generation to the next. Globally, only 30% of family businesses make the successful transition to the second generation, 12% make it to the third, and 3% to the fourth or beyond⁽²⁾. A majority of Vietnamese family businesses also find it difficult to pass down management to the next generation. Developing the next generation, therefore, is considered one of the biggest challenges for family businesses.

At PwC, we are dedicated to helping you manage ownership and growth today and legacy tomorrow. We embarked on a journey to take a closer look at members of the next generation in family businesses (NextGens) several years ago. In our largest survey of NextGens to date, we heard from nearly 1,000 respondents who are becoming, or aspiring to become, family business leaders; they told us about their ambitions, challenges, ways that they build trust and what NextGens need in order to succeed. This 2019 survey marks an important milestone for the country. For the first time, Vietnamese NextGens shared their views and opinions. Along with the valued support from Vietnam Family Business Association (VFBA) and the NextGen Club and thanks to the active participation from NextGens nationwide, Vietnam ranked third (after Ireland and India) in having the highest survey respondents.

The results are promising, as NextGens told us that they have high ambitions not just to become deeply involved in their family businesses, but also to lead. NextGens also identified the challenges and constraints they face in making the desired impact on the family business. Given a young population of Vietnamese NextGens, those obstacles could become even more challenging as they seek to prove themselves as future leaders. In this report, you will find the results of the survey for the Vietnamese NextGens and the comparison with the global results as well as recommendations built around it. We hope you find them as inspirational as we do.

⁽¹⁾ General Statistic Office of Vietnam, retrieved March 2020.

⁽²⁾ A study of management practices, carried out by National Bureau of Economic Research Family Business Alliance.

Introduction

Being part of a business that either bears your name or was started by your family is a privilege that comes with huge responsibility. This will grow even more complex as there have been big changes in recent years: technological, demographic, regulatory and economic, which means that the next generation of family business leaders face greater challenges, and opportunities, than their parents and grandparents could ever have imagined.

Everything we've learned about NextGens - both from this year's survey and our experience in working with them - tells us that: you are raring to take on this challenge

and you believe you have the skills to be the "transformer" that your business needs.

You have shared with us that you want to be involved further and more deeply in your family business in the next five years, but you are concerned that the current generation of leadership is not ready to trust you due to your lack of experience and expertise. You clearly point out that technology is disrupting the business and having a strategy fit for the digital age is not a "nice-to-have" anymore – it is one of the key priorities for the business to focus on.

What NextGens are looking for is support in terms of developing the expertise and

experience you need to succeed. Being a diverse group with different needs and ambitions, NextGens require an approach that is built around understanding your needs and ambitions and this survey provides an important guide to the next steps you should take.

We invite you to explore the following pages to understand the biggest challenges you face and what support you need from the generation above.



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About PwC's NextGen Survey

The first-ever survey of
leaders-in-waiting among family business
leaders was published in 2014.

The first year (2019)

when there is a dedicated report for Vietnam,
which marked Vietnam amongst the top
countries of highest participation.

A part of our continuous commitment

to young entrepreneurs and successors in
family businesses.

3-month
online survey
(10 June to 13
September 2019)

The voices of
956
family business
leaders, of which
383 come from
Asia Pacific,
including Vietnam

69
countries and
territories globally

14
territories
in Asia Pacific



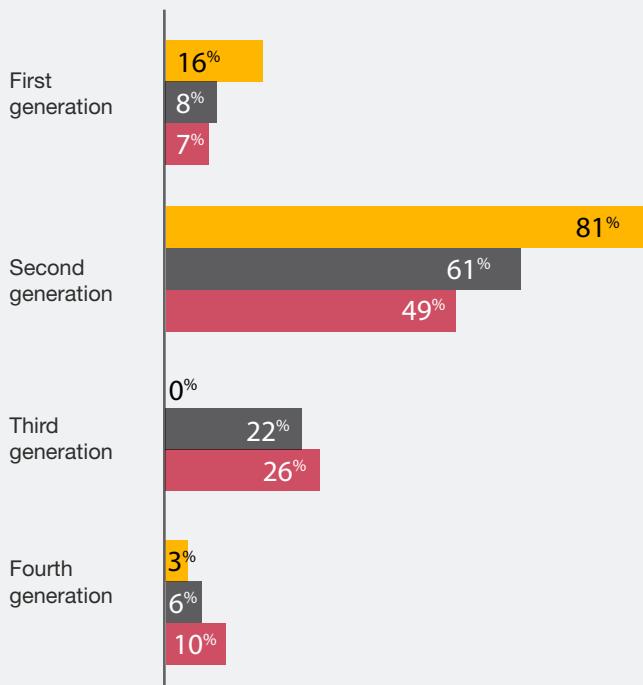
Meet the NextGens in Vietnam

81% of the survey respondents in Vietnam are from the second generation, much higher than the percentages for global and Asia Pacific. There are no representatives from the fifth generation in Vietnam.

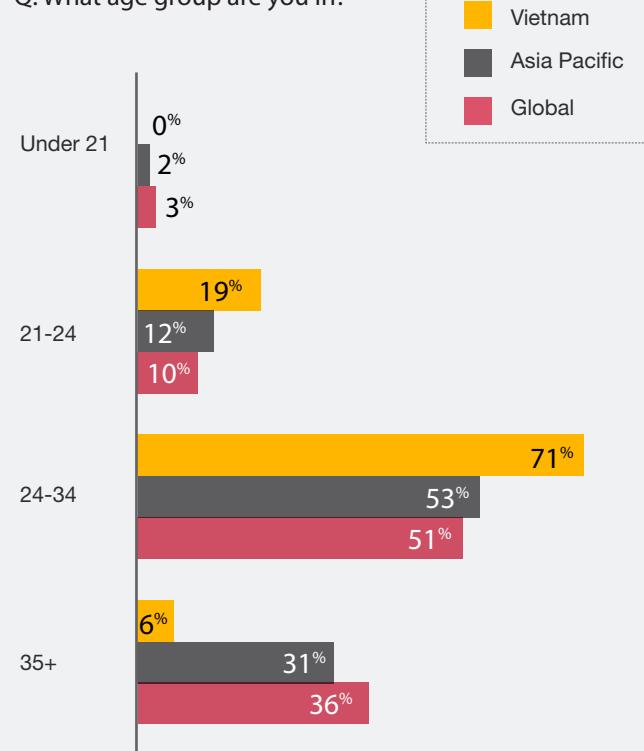
This also ties in with the young demographic of Vietnam's respondents, as about 90% of those surveyed are 21 – 34 years old, relatively higher than those in Asia Pacific (65%).

Industrial manufacturing and retail are the two major industries of the surveyed Vietnamese family businesses.

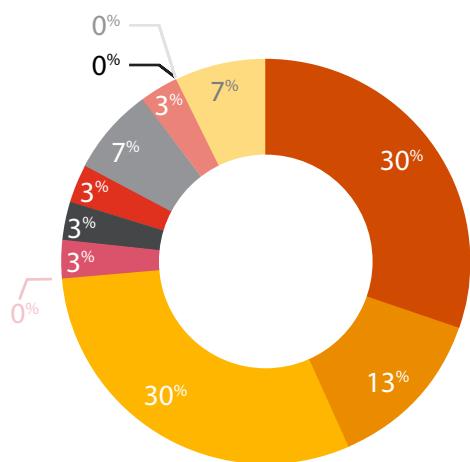
Q: Which generation are you in?



Q: What age group are you in?



Q: Which sector does your family business primarily operate in?



- Industrial and manufacturing
- Building, construction and real estate
- Retail
- Hospitality and leisure
- Transportation and logistics
- Financial services
- Technology, media and telecommunications
- Healthcare and pharma
- Energy
- Forest, paper and packaging
- Private equity
- Other (please describe)

1. NextGen engagements



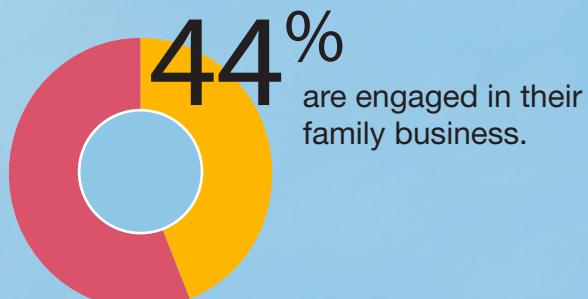
“Giving roles and tasks
to the next generation.
Empower and give
NextGen a chance to
lead....”

Next Generation, Vietnam

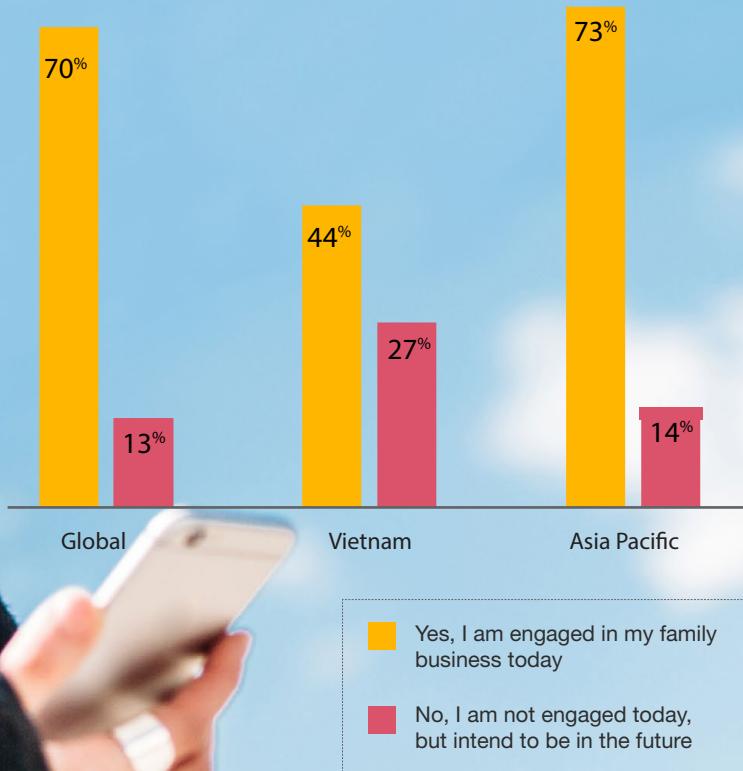
Nearly half of Vietnamese NextGens play an active part in their family business

The survey told us that although nearly half of Vietnamese NextGens are already engaged in their family enterprise, this data is still much lower than the Asia Pacific average of 73% and the global figure of 70%.

On a brighter note, Vietnamese NextGens show a strong commitment to being engaged in the family business in the next five years as a further 27% said they intend to be involved in the future (higher than 13% of Asia Pacific respondents).



Q. Are you currently engaged in your family business?



Ambitions to lead are high

Today, 28% of Vietnamese NextGens are in management, while 16% are executive directors. The relatively young demographic of Vietnamese respondents (21 – 34 years old) reveals why only a small number of Vietnamese NextGens hold leadership positions. They might not yet have gained sufficient experience and expertise to run the family business at the moment.

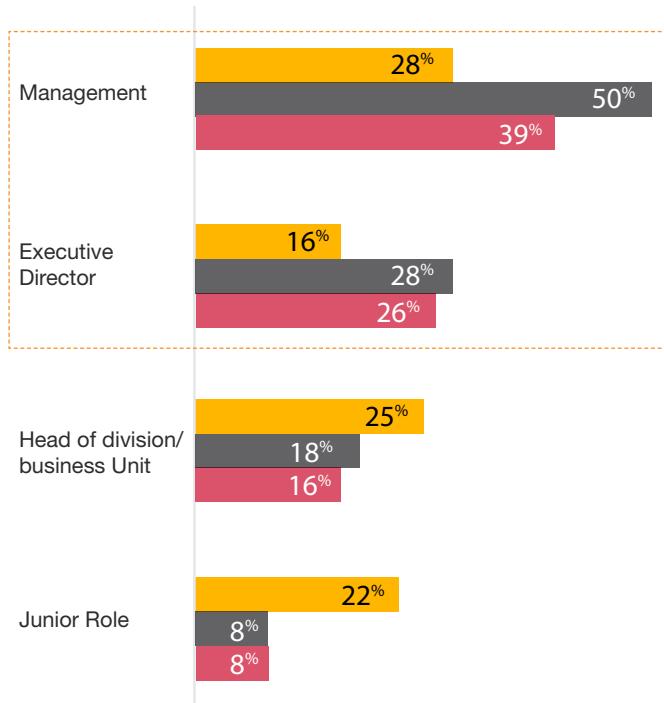
The wider NextGens population in Vietnam is, however, looking forward to leading change in the family business and see themselves as "Transformers"⁽³⁾, who are more likely to be in executive roles within five years.

- 41% of Vietnamese respondents want to be in management roles by 2025.
- 38% of Vietnamese respondents choose to be in an executive director position, up from 16% in 2019.

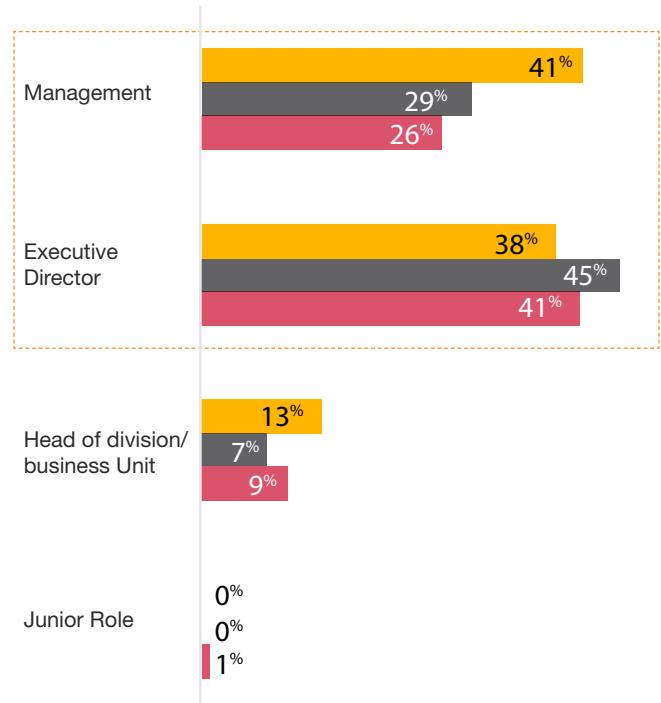
The aspiration to become the head of a division or business unit, however, will drop over the next five years, from 25% to 13% of respondents. This trend is also replicated in the junior positions.



Q: Where are you today?



Q: Where do you want to be by 2025?



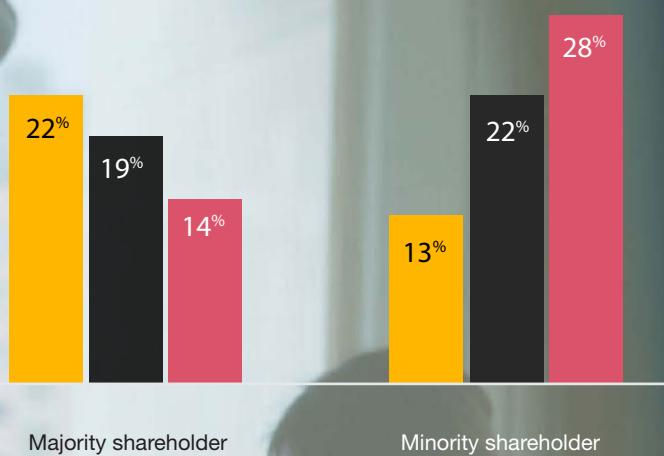
⁽³⁾ Please refer to the page 26 for further definition.

Almost a quarter of Vietnamese respondents are majority shareholders. This is not expected to change much in the next five years, compared to their Asia Pacific counterparts.

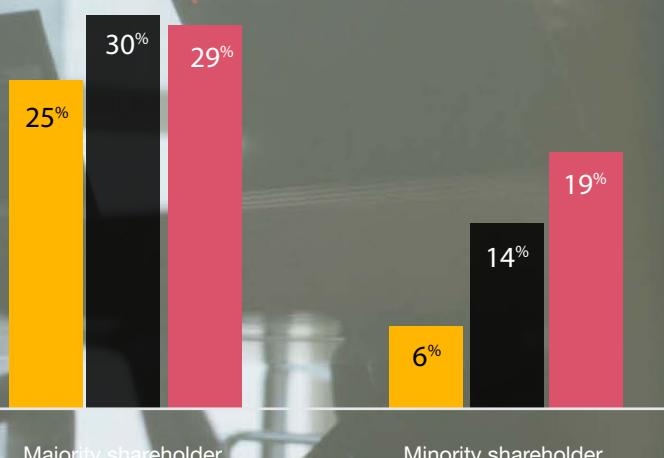
We also note that there has been an increase in NextGens' "Stewardship"⁽⁴⁾ role, in particular that of non-executive directors/board members (from 3% in 2019 to 13% in 2025), whereas the number of those in a governance role remains unchanged.



Q: Where are you today?



Q: Where do you want to be by 2025?

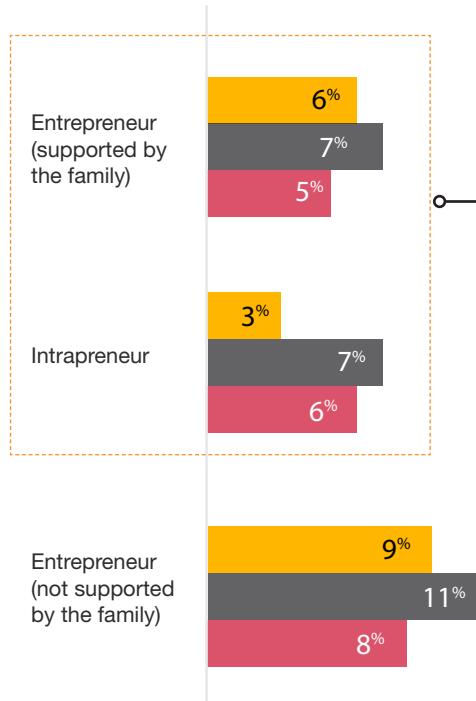


⁽⁴⁾ Please refer to the page 26 for further definition.

NextGens aspire to lead their own business with support from family



Q: Where are you today?



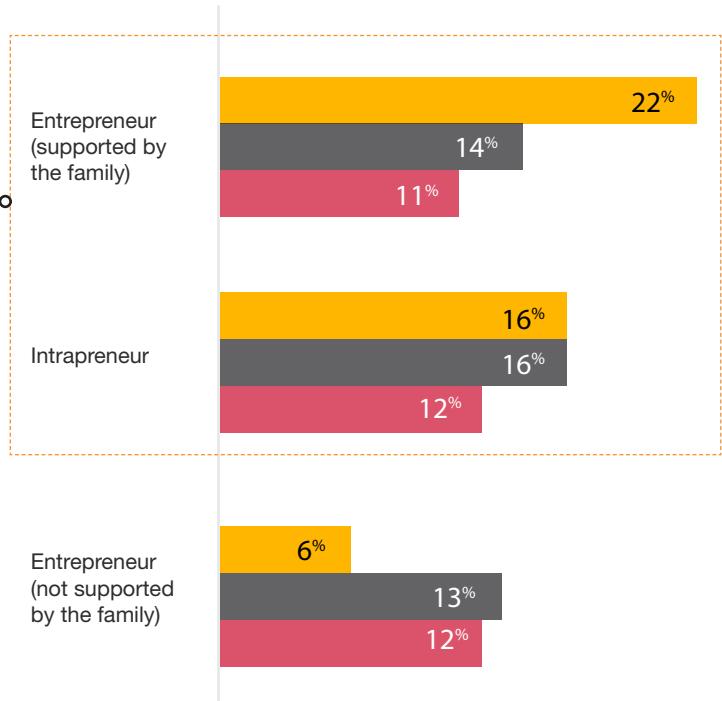
The study shows a significant increase in Vietnamese NextGens who want to create their own enterprise (or legacy) over the next five years with support from their family business (22% by 2025 vs 6% in 2019).

Vietnamese NextGens aspire to lead a venture within their business ("Intrapreneurship"⁽⁵⁾), with 16% of respondents wanting to undertake this role by 2025, compared to just 3% of respondents today.

These practices will definitely help future leaders hone the necessary skills and grow.

To a notable degree, those that would like to create their own business with no profit going back to the family business are growing more cautious in doing so. By 2025, only 6% of Vietnamese NextGens are interested in having their own business (vs. 9% in 2019), two times lower than their Asian peers.

Q: Where do you want to be by 2025?



⁽⁵⁾ Please refer to the page 26 for further definition.

2.NextGen

business views

“Technology will become a key driver to change your business...”

Next Generation, Vietnam

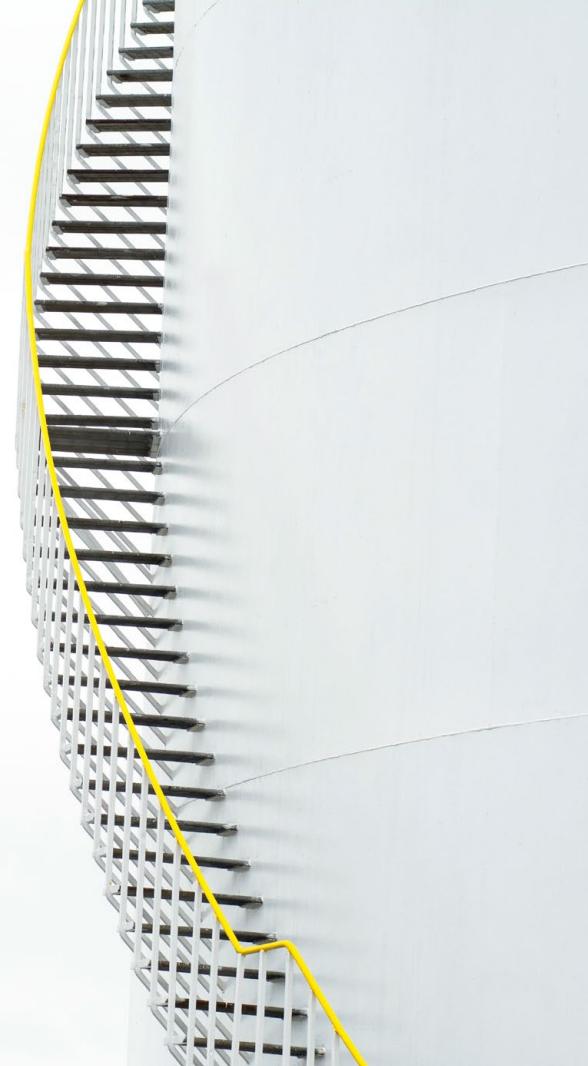
Changes in technology, competition and customer needs are seen as key driver of change for family businesses

As members of the most digitally-savvy generation, Vietnamese NextGens view changing technology as a key driver of change (74%), higher than 59% in Asia and 61% globally.

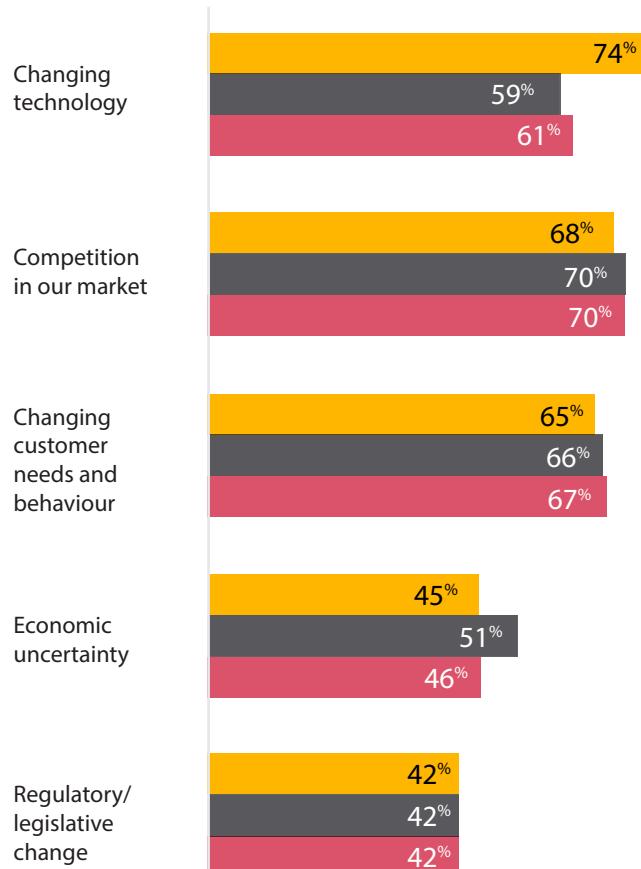
Other key drivers of change identified by Vietnamese NextGens are fierce competition, changing customer needs and behaviour. The rise of the middle and affluent class, coupled with household income and minimum wage increases, will drive consumption spending growth and eventually shape the consumer landscape with a shift to a modern retail format focusing on convenience and value for money.

90%

of the respondents cite the broad term “Internet of things” (IoT) as the most relevant emerging trend for family business in the future. This rate is much higher than the Asia Pacific average.



Q. What are the drivers of change for your family business?



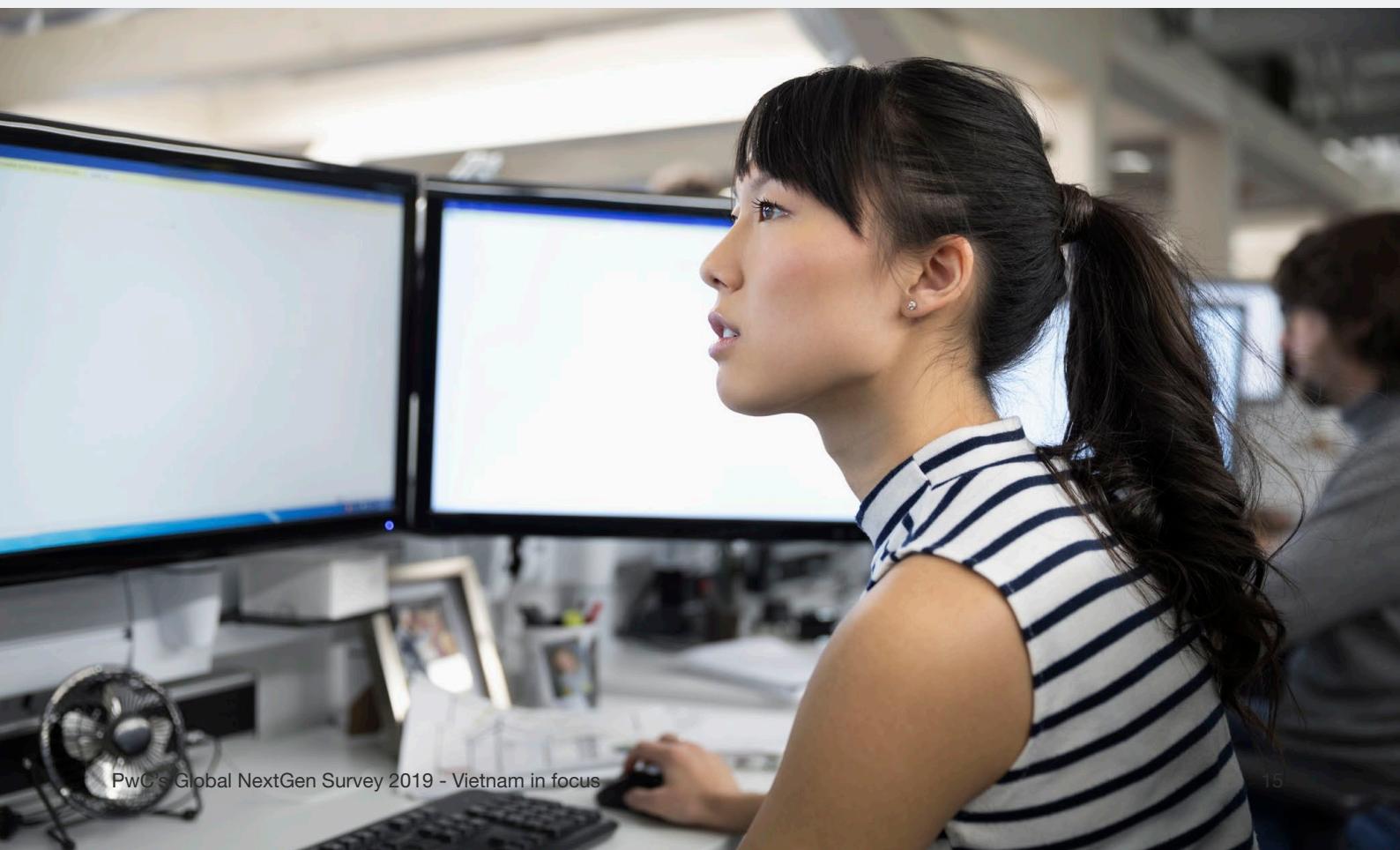
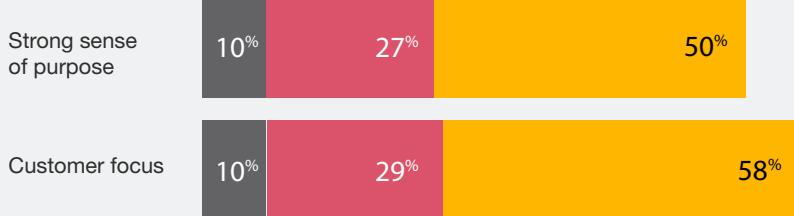
Family businesses have a competitive edge in customer focus and have a strong sense of purpose

Changing customer needs and behaviour have not just been identified as one of the key drivers of change for family business, they are also areas where 58% of Vietnamese NextGens feel that their business has an advantage over their competitors.

According to PwC's Global Family Business Survey 2018, value and purpose also contribute to creating a competitive advantage for family businesses. A sense of purpose is often viewed as a key factor in binding family members together. Our NextGen 2019 survey results show 50% of NextGens in Vietnam share the same sentiment that their family business is better than their competitors when it comes to having a strong sense of purpose.

Q. Compared to its competitors, how would you rate the family business on the following competencies?

- Worse than our competitors
- Same
- Better than our competitors



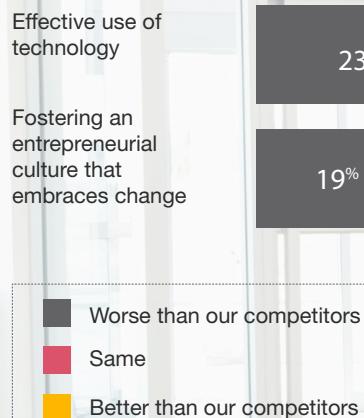
However, they are less confident with the use of technology and fostering an entrepreneurial culture

It is seen that a majority of Vietnamese family businesses are undifferentiated from their competitors when it comes to effective use of technology and fostering an entrepreneurial culture that embraces change.

80% of respondents in PwC Global Family Business Survey 2018 said digitisation, innovation and technology ranked together as a significant challenge to the success of their businesses. Thus, it is vital for organisations today, including family businesses, to embrace digital disruption. Older generations need to recognise that tech innovations will be better understood by younger generations, hence involving the next generations will help family businesses capitalise on opportunities brought about by new technology.

Having an entrepreneurial culture that embraces changes, not only from technology and environmental factors, but also from competition and customer needs, is essential to the future success of family businesses.

Q. Compared to its competitors, how would you rate the family business on the following competencies?





3.NextGen impacts and challenges

“Transfer knowledge and experience. Allow younger generations to take part in important decision-making processes...”

Next Generation, Vietnam

Business professionalisation and upskilling staff for a disruptive future are key business priorities

While Vietnamese NextGens acknowledge changing technology as a key driver of change, their immediate top business priorities for getting family businesses fit for the future are to professionalise their business and upskill staff.

The emphasis on professionalising and modernising management practice could be due to the fact that Vietnam is still in an early stage of development and the private sector has only lately been catching up. The boom of local private businesses and influx of foreign players and investors have created a need for family businesses to re-assess and improve their management practices.

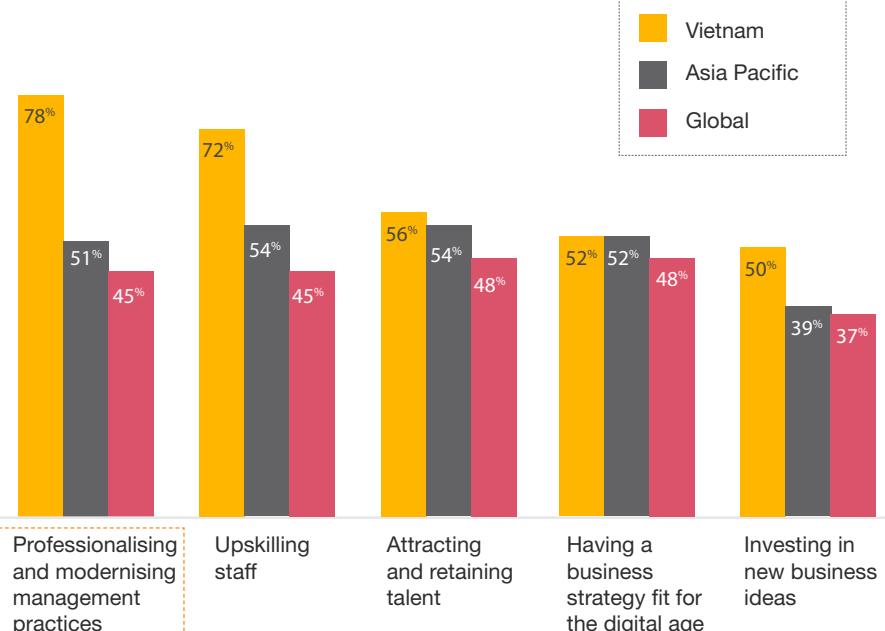
Furthermore, as family businesses grow in size and volume, decision making has become much more complicated – a process that involves multi-stakeholders and is not restricted to only the founders anymore. As a result, the need to professionalise and modernise management is urgent.

Along with the same concept, upskilling staff requires significant change in family businesses. Upskilling the workforce to be digitally literate is vital for organisations to keep abreast with disruption across industries.

23%

of the respondents also say “professional and modern management practice” is an area where Vietnamese NextGens find their family businesses behind or less advantaged than their competitors.

Q. What priorities do you think the business should be focusing on?
Based on “significant change” value



NextGens believe that they can add value and make an impact

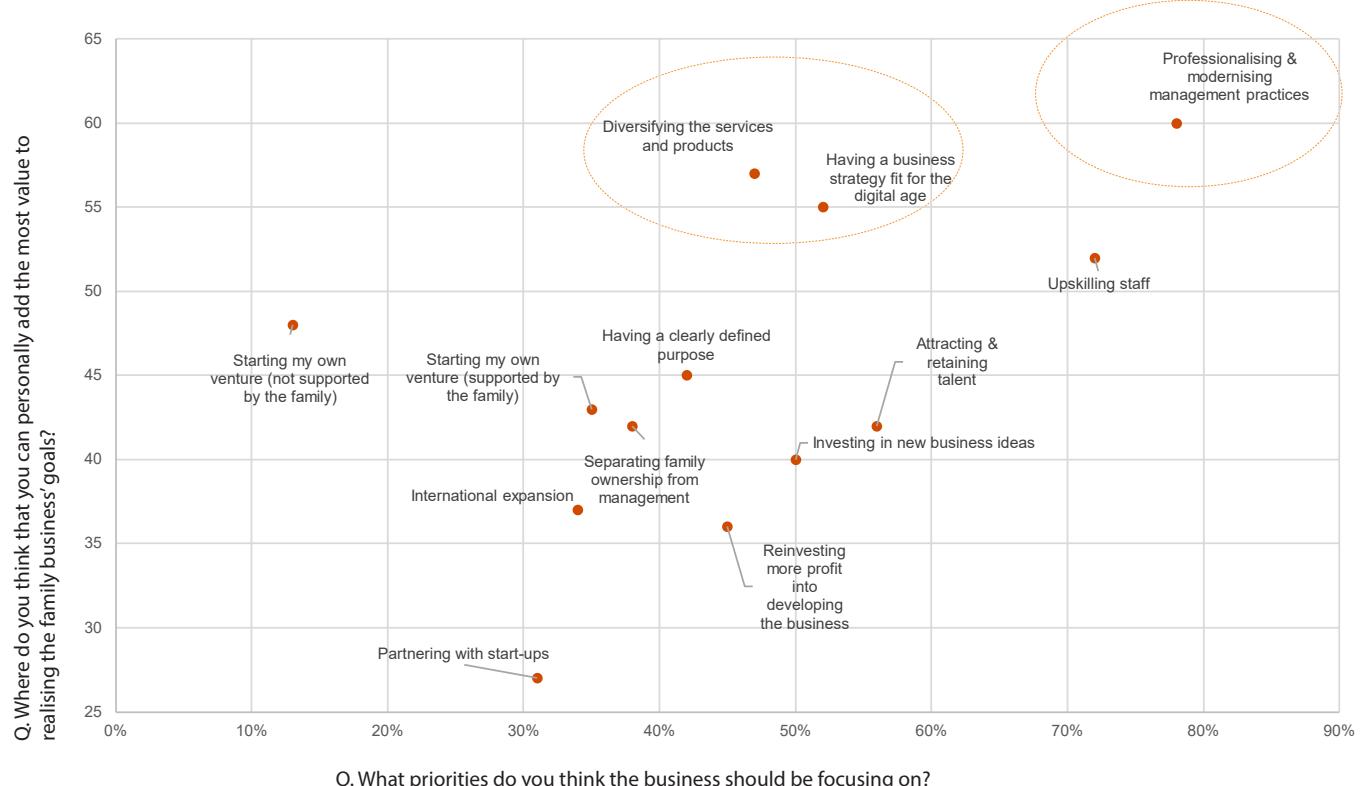
60%

say that they can add significant value to professionalising and modernising management practices.

In general, there is close alignment between business priorities and where NextGens think they can add the most value.

Specifically, 60% of NextGens believe they can add significant value to professionalising and modernising management practices. As they grow, it is important for family businesses to develop formal policies and procedures to conduct business and build up internal controls and good corporate governance, so as to minimise risks and sustain long-term profitable growth.

The other highly rated area is around business development; about 57% say they can bring significant value by diversifying their family business's services and products. Furthermore, as digital natives, NextGens are confident in their capability to help the family business adapt in an age of digital disruption (55%).



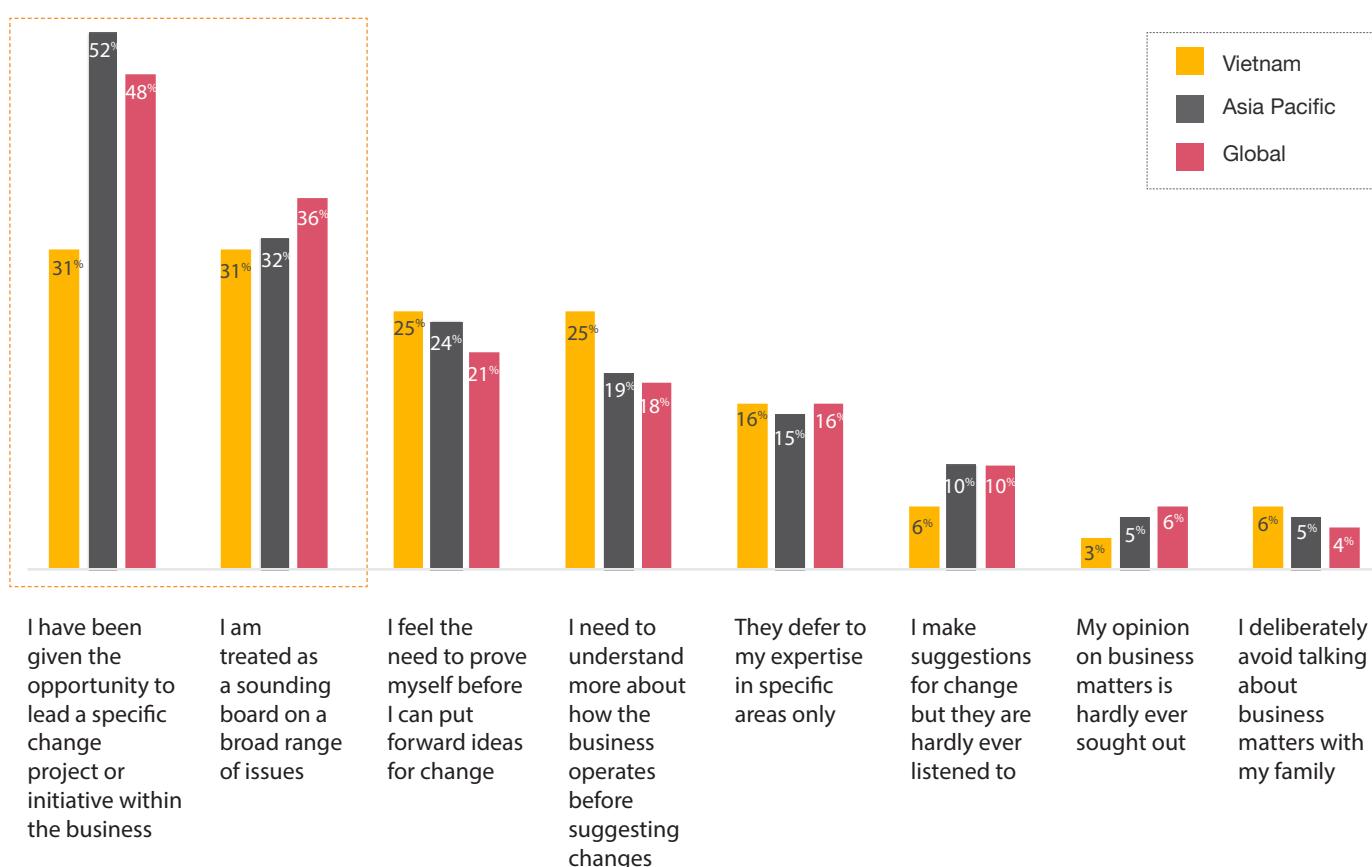
However, only around a third of Vietnamese NextGens are given the opportunity to lead

While it is positive news that NextGens are ambitious, committed and capable of making impacts to their family businesses, they do feel frustrated by a lack of opportunity and "being held back". This might explain the relatively low engagement of Vietnamese NextGens in their family businesses, as only around a third of our respondents:

- Have been given significant internal operations to run within the business; compared to 52% of respondents from Asia Pacific and;
- Are treated like a sounding board for new ideas.

The results tell us that many of Vietnamese respondents believe their "level of experience and expertise" are holding them back from making the impact that they would like within the business today. The result findings are supported by statements like "I feel I need to prove myself before I can put forward my ideas for change" as well as "I need to understand more about how the business operates before I can suggest changes".

Q. How would you describe your current level of contribution to your family business?

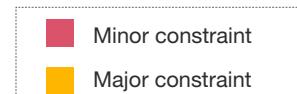


NextGens view their level of experience as a key barrier to making their desired impact

Vietnamese NextGens show commitment and ambition but feel constrained to a significantly higher degree to make an impact to the business in comparison with their Asian peers.

Experience and expertise are the key barriers for NextGens to making the impact that they would like within their businesses. 79% and 68% say their level of experience within and outside the family business is a constraint. This could be attributed to the youth of the survey respondents.

Details of some potential constraints prevent NextGen from having the impact that they would like within the business today



A complex organisational structure within the family business



My level of experience outside of the family business



My level of experience within the family business

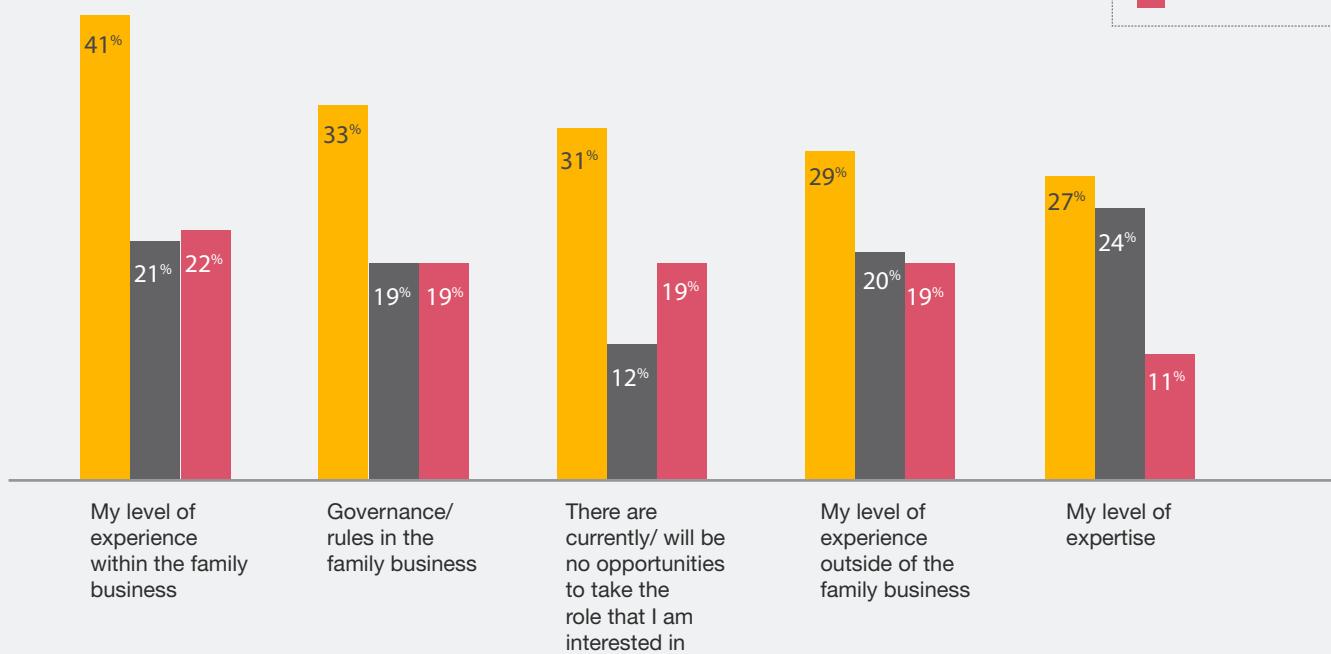


Moreover, three out of ten respondents say that governance in the family business is what is blocking them from having an impact within the business. An equal proportion see no opportunities for them to take the role that they are interested in.

Q. To what extent do the following potential constraints prevent you from having the impact that you would like within the business today?



Based on “major constraint” value



NextGens have clear views on what would help them add more value to their family businesses

Unable yet to participate fully in the decision-making circle, Vietnamese NextGens point out that a lack of experience is what prevents them from making the desired impacts.

When asked what would help them add more value to their family business — and therefore help them add more value to their family businesses — 65% of NextGens pointed to the broad area of skills development.

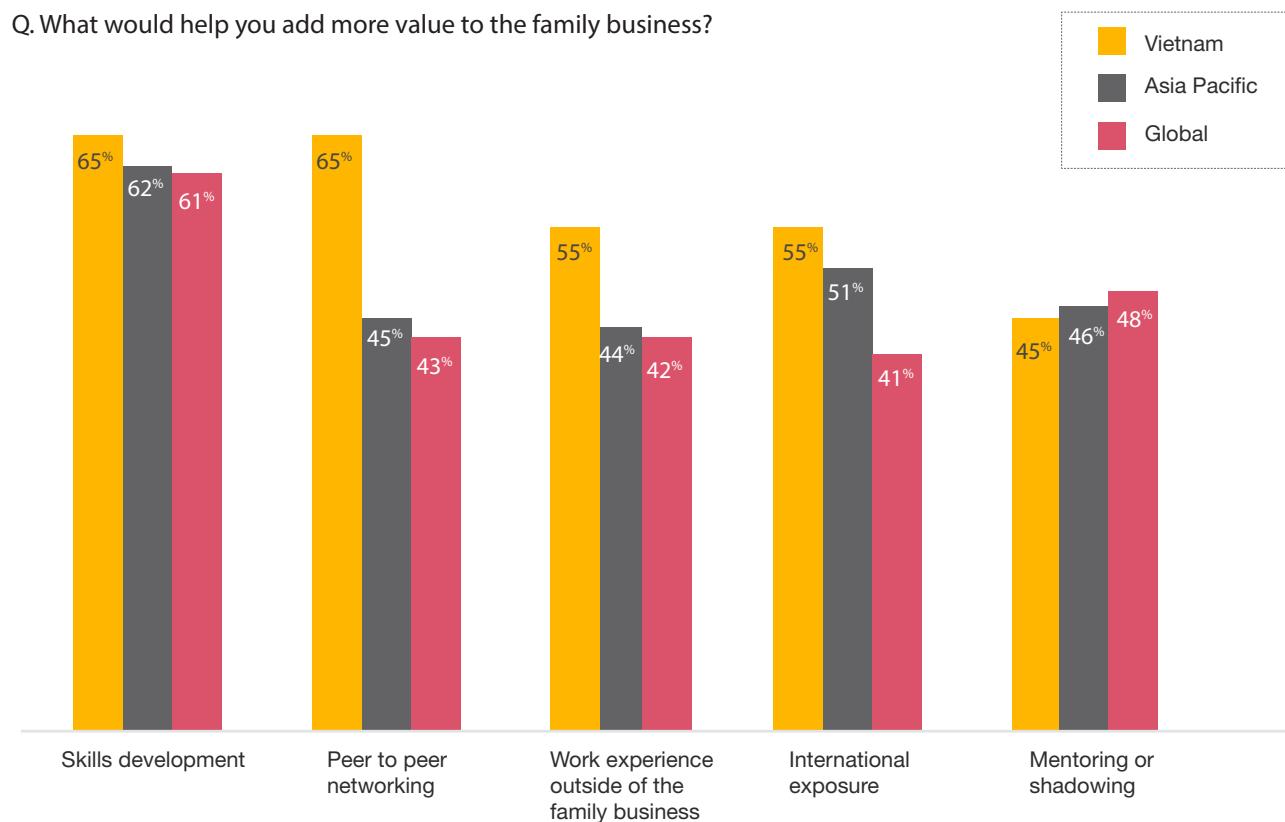
Peer-to-peer networking is also highly valued as it can help the family business acquire knowledge and form new partnerships to address the key changes driving their business (i.e. changing technology, market competition and changing customer needs and behaviour).

65%

cite skills development and peer-to-peer networking as something that would help them add more value to the family business

Besides the more traditional approach of mentoring or shadowing the previous generation at work, working outside the family business and having international exposure are also of importance.

Q. What would help you add more value to the family business?



Aligning skills development with future business needs will help NextGens to succeed



Leadership, financial management, problem solving and strategic thinking are the top three skills Vietnamese NextGens say are essential for the roles that they want within the business.

The top three skills Vietnamese NextGens say are the most essential for their business...



Overall, there is a gap between NextGens' capabilities and what they view as the most important skills for their future roles. Only 41% of Vietnamese NextGens rate themselves 5 and above in their problem solving and strategic thinking, while the numbers for leadership and financial management are 32% and 27%, respectively.

NextGens in Vietnam are suggested to leverage skills that they are competent in, including global mindset, marketing and sales and communications. These soft skills become more important as they will equip NextGens for a more senior role, and for becoming future business owners as well.

Honing the desired skills will help NextGens have a greater impact

Vietnamese NextGens value more formal education in an effort to gain the required skills.

In comparison, their Asia-Pacific counterparts seek to gain knowledge by learning from other people's experience through peer-to-peer learning and entrepreneurial or family networks.

When we conducted the survey, NextGens were also asked to identify how the current leaders of their family businesses can best support them. The replies focused on building trust, providing mentors and coaching opportunities, and experience-sharing, as well as being more receptive to new ideas.



4. NextGen personas & Recommendations



Meet the NextGens: personas

In the PwC's 2017 NextGen Study, we described four distinct personas: the Transformers, Stewards, Intrapreneurs and Entrepreneurs.

We would like to encourage you to take our short quiz to understand which NextGen path you maybe on.

<https://www.pwc.com/gx/en/services/family-business/nextgen-survey/quiz.html>

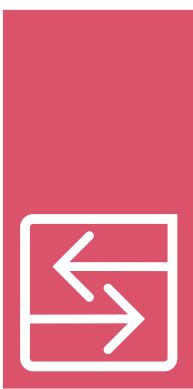


Transformers



"Transformers" focus on innovation and reinvention of the family business. They rely both on their own talent and on support from the current gen.

Intrapreneurs



"Intrapreneurs" also have transformative ideas, but they choose to carve out a specific venture within the firm, rather than overhaul the entire business. These new ventures can look and feel like a start-up, but they still enjoy the secure support and funding of an established family business.

Stewards



"Stewards" lean towards following a conventional family business career path, training, studying and preparing themselves to keep the firm profitable and professionally managed.

Entrepreneurs



"Entrepreneurs" make a clean break from the family business to start their own ventures.



Our recommendations

Vietnamese NextGens demonstrate the capability to take a holistic view of their family business. You understand the skills your family business needs the most and believe that you have what it takes to succeed at the top level.

You also carry out self-assessment of what you lack and you try to convince the incumbent generation to support you in developing essential skills and experience.

You want your voice heard on the issues where you think you can add most value. Whether or not your assessment of what you can offer is well-founded, you are clear on where you believe you can have the most impact.

Based on our findings and validation in the workshops with NextGens and current business leaders, we put forward four recommendations for each of the NextGen personas to help you achieve your ambition to reach the top levels of your organisation.





Transformers

Recommendations for NextGen Transformers

Understand the perspective of the current generation

Ask questions and be considerate, but trust your inner voice. Avoid appearing too critical.

Innovate

In an era of business disruption, don't be afraid to innovate. Act fast.

Show gratitude

Respect the current generation's reasons for the decisions they took, even if you believe change is needed.

Expand your horizons

Collaborate widely. Do not compare yourself only with your traditional competition, but redefine your competition and the boundaries of your industry.

Qualify and track progress

Review your work regularly, seek constructive feedback and learn from your mistakes. You have to prove that your transformation is creating a competitive advantage.



Stewards

Recommendations for NextGen Stewards

Don't take things for granted

Be mindful of your role, and put purpose and impact at the top of your agenda.

Know your background

Be mindful of your family legacy and what your family business stands for.

Realise that you don't have to know everything

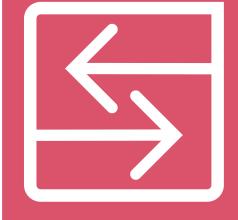
Be smart, listen and ask questions.

Find your own motivation

What does your family business mean to you? What is the purpose that drives you? Keep searching for what motivates you.

Think outside the box

Although you may favour a conservative approach, stay tuned to the trends in your industry and beyond.



Intrapreneurs

Recommendations for NextGen Intrapreneurs

Take risks

Take calculated risks in pursuit of business and personal matters, and communicate and be transparent about how the venture is progressing.

Take opportunities

Find an opportunity and make maximum use of your family's resources and network to build the business.

Strengthen knowledge

Develop in-depth knowledge of the market and region you are entering. Don't be complacent: push yourself to excel.

Align values

Your venture is operating under the family's umbrella, so ensure it aligns with the values set out by the current generation.

Innovate

Constantly seek out technological innovations that could benefit your venture or the family business.



Entrepreneurs

Recommendations for NextGen Entrepreneurs

Stay connected to your legacy

You come from a background that gives you privileged access to business knowledge and experience. Learn everything you can from your family legacy.

Acquire knowledge

Become immersed in the field that fascinates you before you attempt to launch a business.

Create a vision

Set out the mission for your own venture explicitly and make sure everyone involved understands it.

Seek support

Don't try to do it on your own. Learn how to delegate and draw on advice and support from your family business as much as possible. Be open to mentoring.

Trust yourself

Listen to your inner voice and decide for yourself, ultimately, what you believe is great work.

Contact us

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