

# From trust to impact

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



Vietnam Report



## Foreword

The unprecedented, tumultuous events of the past year have been an extraordinary test of resilience for almost all businesses, including family businesses.

What we learnt is that family businesses with resilience as part of their DNA have risen to meet the challenge. As in any crisis, family owners stood united, defined their commitment to their business and spoke with one voice. Family businesses relied on strong fundamentals - commitment to values, long-term thinking, sensible leverage - to send a strong message to employees, business partners and the public.

The world is changing, and so is the formula for lasting family business success. In today's business environment, in which

the pace of change is accelerating, profit needs to be aligned with purpose. Vietnamese family businesses need to engage in a more sustainable way to create the future. Prioritising business expansion and technology/digital adoption is no longer enough. It's a business imperative for family businesses to think beyond. Family businesses, as a trusted corporate citizenship today, will need to assume a leadership role in sustainable business practices.

Family businesses that demonstrate a commitment to sustainability with correct actions can only strengthen the trust and goodwill which give them the licence to operate.

Family businesses are considered the backbone of many economies throughout the world. In Vietnam, the top 100 family businesses account for 25% of the country's GDP<sup>1</sup>. Family businesses are indeed engines of growth and recovery in times of great challenge.

Our Vietnam report confirms their resilience, financial strength, and optimism, but also reveals new challenges that need to be addressed and overcome.



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Partner, Private Business Services Leader  
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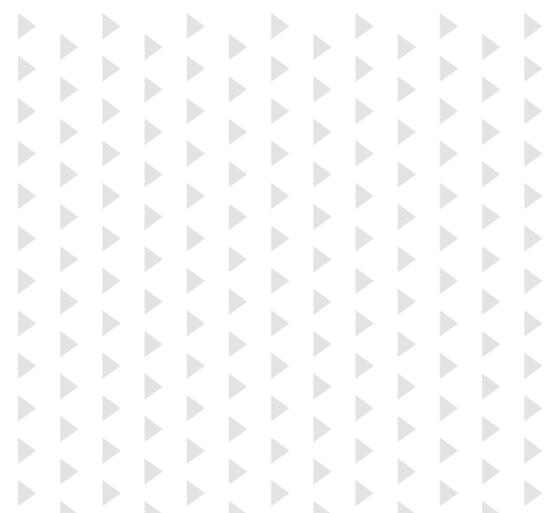
<sup>1</sup> [Family businesses the core of the economy](#)





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Executive

summary





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

This 10th edition of the PwC Global Family Business Survey marks an important milestone for the country. For the first time, Vietnamese family businesses get to share their views and opinions on issues that matter to them.

### Global



2,801

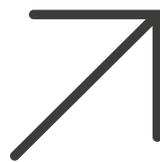
respondents



87

territories

### Vietnam



33%

of surveyed businesses  
grew in the 12 months  
before COVID-19



75%

of surveyed businesses  
are expecting to grow  
in 2022



## In summary

In Vietnam, we conducted online interviews with 33 family businesses (FBs) to get an understanding of the key issues currently at the top of their minds. Here are our key findings:



### Vietnamese FBs are more sacrificial than their global peers

**79%** of Vietnamese FBs were more likely to make some form of financial sacrifice as compared to 57% of their global counterparts during COVID-19.

**33%** of Vietnamese family businesses think they will experience aggressive growth in 2022 which is higher than both regional and global family businesses surveyed.



### Technology, new products and services are top of mind

**55%** of Vietnamese respondents will focus on introducing new products and services, following by increasing use of new technologies (52%).

Issues related to sustainability are lower down the priority order for Vietnamese FBs.



### There is a shift towards a more externally managed structure

In five years, Vietnamese FBs will become more diversified, with greater external management and greater NextGen involvement.

**52%** of Vietnamese FBs say they will have a second generation as majority shareholders. This will be a sizeable generational shift in the coming period.



### Gives back to community but are not prioritising sustainable practices

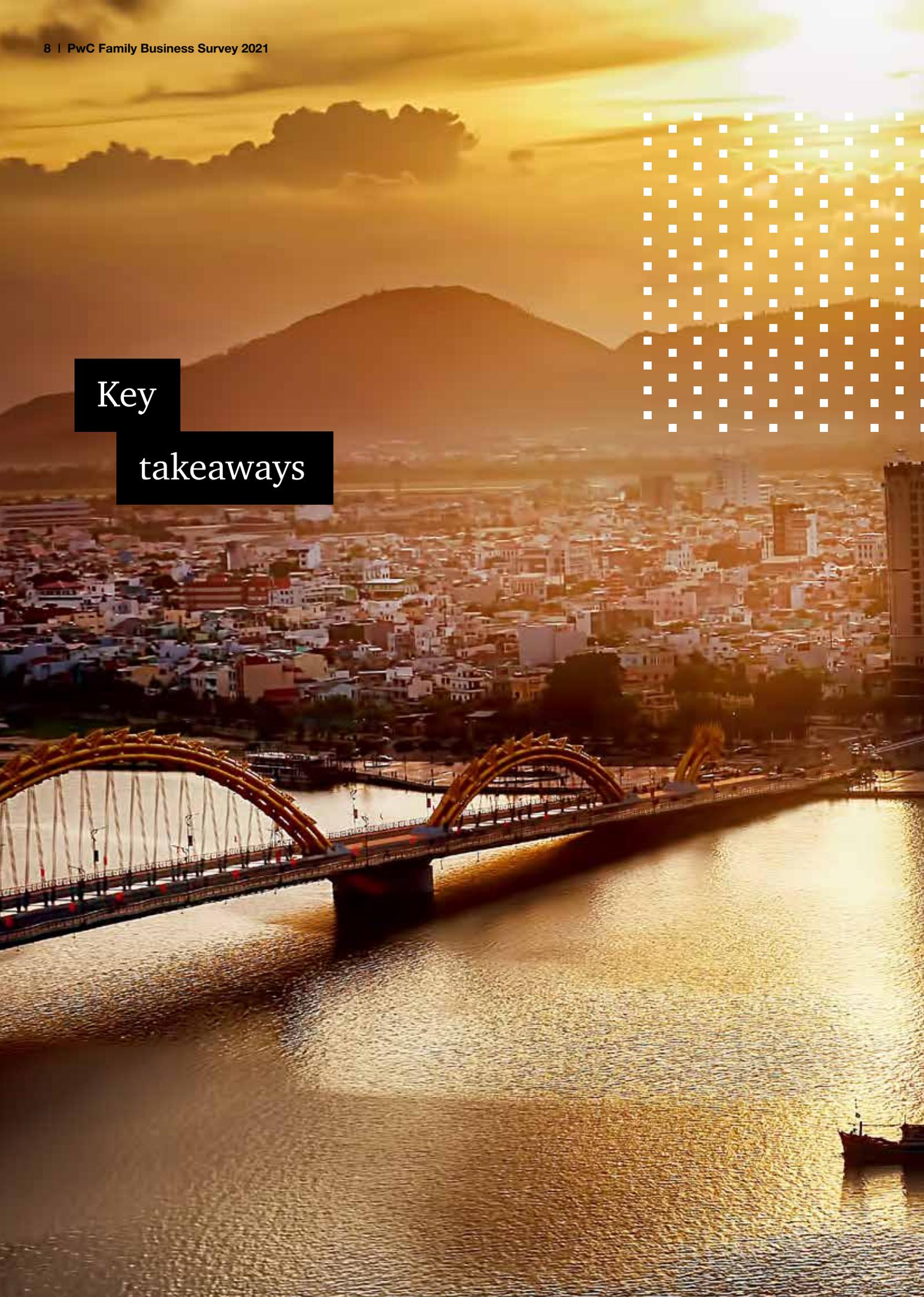
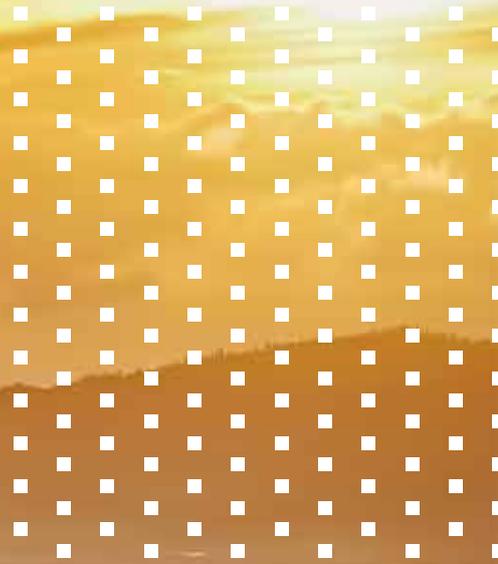
**85%** of Vietnamese FBs are engaged in some form of social responsibility activities. This tends to involve contribution to the local community or traditional forms of philanthropy.

However, only 45% believe there is an opportunity for Vietnamese FBs to lead sustainable business practices.



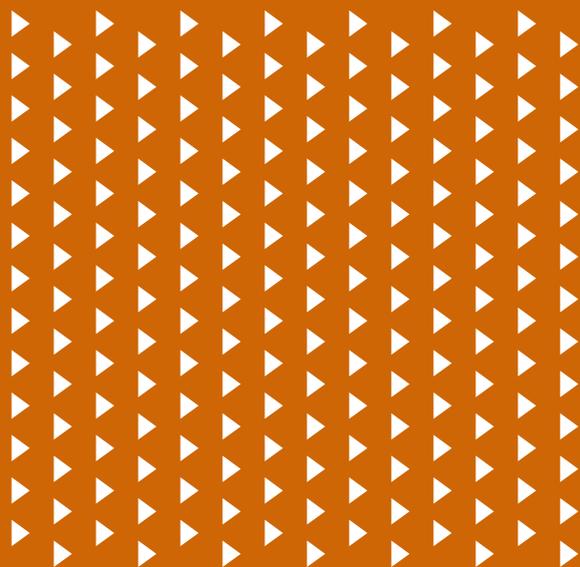
Key

takeaways





Vietnamese family  
businesses are more  
sacrificial than their  
global peers



# Resilience in times of crisis

## During COVID-19, more Vietnamese FBs were willing to make some forms of financial sacrifice.

The year 2020 was a test for everyone, as COVID-19 disrupted lives and livelihoods. FBs in Vietnam rose to meet the challenge at a time when financial uncertainty was already affecting the forecast. Before the pandemic, 33% of Vietnamese respondents were expecting their businesses to grow at single or even double digit rate. However, during the last quarter of 2020 - the period when this survey was conducted - 61% of Vietnamese

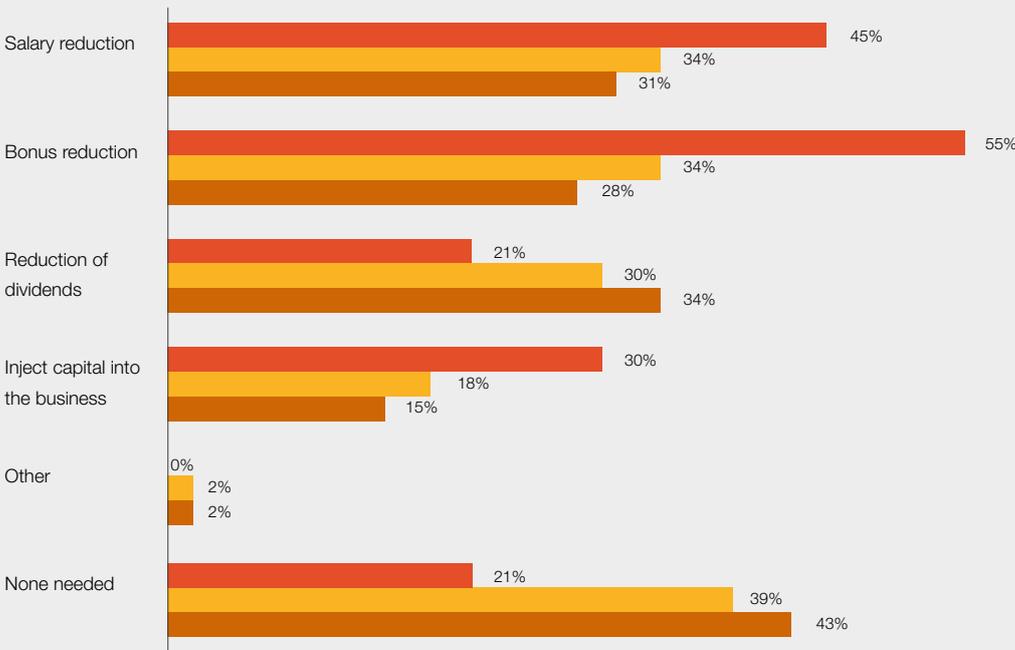
FBs saw a decrease in profits as compared to the 55% of Asia Pacific FBs or 51% of global respondents.

Despite Covid-19 having less of an impact on the Vietnamese economy, our survey noted that during COVID-19 Vietnamese FBs were more likely than their global counterparts to make some form of financial sacrifice (79% vs 57%) (see Figure 1).

**Figure 1: Sacrifices made by family shareholders - Vietnam compared to Asia Pacific and Global**

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

■ Vietnam ■ Asia Pacific ■ Global



**79%** Vietnamese family businesses made some form of financial sacrifice. (Asia Pacific: 61% and global: 57%)





## Growth aims are ambitious for 2022 but more cautious for 2021

**33% of Vietnamese FBs think they will experience aggressive growth in 2022.**

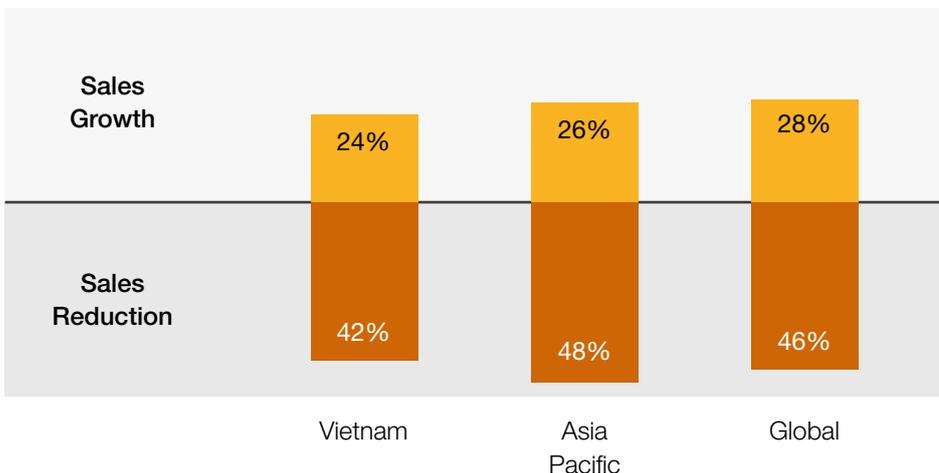
Although the outbreak was well contained locally, about 42% of Vietnamese FBs still expect sales to decline as indicated in Figure 2.

Now, in looking beyond COVID-19, Vietnamese FBs share similar growth aspirations to their Asia Pacific and global counterparts in 2021, with 65% expecting positive growth.

Their view in 2022 is more positive (75%) as illustrated in Figure 3. However, a lot more Vietnamese FBs and their Asia Pacific counterparts are expecting quick and aggressive growth (respectively 33% vs. 28%) than those globally (21%).

**Figure 2: Family businesses expect the COVID-19 pandemic to impact growth**

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

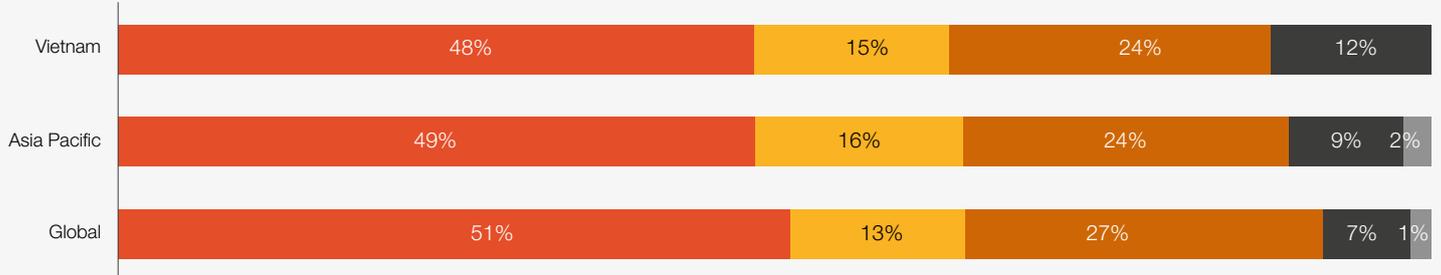


**Figure 3: Growth ambitions for 2021 and 2022**

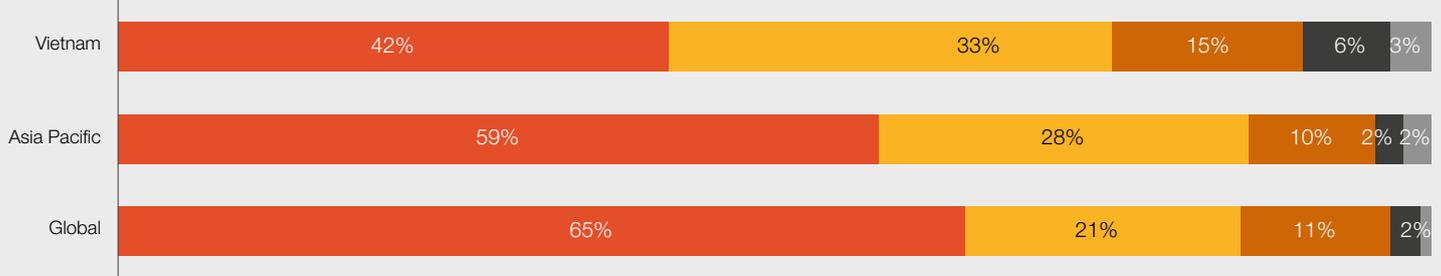
Q: Which of the following best describes your company's ambitions for 2021 and 2022?

■ Grow steadily 
 ■ Grow quickly and aggressively 
 ■ Consolidate 
 ■ Contract/downsize to survive 
 ■ Others

**2021**

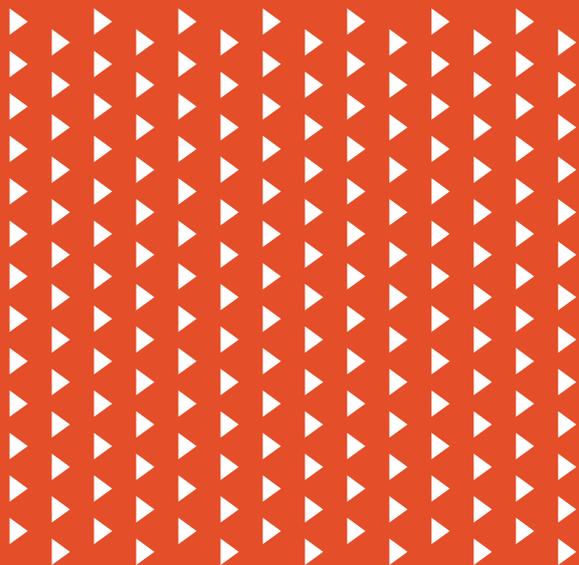


**2022**





Technology, new products and services are top of mind



## Business expansion and technology adoption are key priorities in the next two years

The growth optimism in the next two years is based on planning and risk management. Vietnamese FBs are focused on developing their businesses, with the introduction of new products and services being the highest priority (55%), followed by increasing use of new technologies (52%) (see Figure 4)

They are more likely than Asia Pacific and global FBs to prioritise rethinking / adapting the business model, reflecting their increased needs and focus on driving their business agenda. For now, Vietnamese FBs are not prioritising sustainability or sustainable practices.

**Figure 4: Top Five priorities for the next two years**

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

■ Digital, Innovation, Technology ■ Expansion/Diversification ■ Evolving/New thinking ■ Sustainability/Local community ■ Other

		Global	Asia Pacific
Introducing new products/services	55%	50%	50%
Increasing use of new technologies	52%	49%	46%
Rethinking/changing/adapting the business model	52%	39%	43%
Expanding into new markets/client segments	48%	55%	57%
Improving digital capabilities	42%	52%	47%
Protecting our core business - covering costs/survival	42%	37%	46%
Increasing investments in innovation and R&D	33%	28%	30%
Increasing collaboration with other companies	24%	21%	26%
Reducing dependencies along the value chain	18%	11%	10%
Pursuing strategic acquisitions/mergers	15%	30%	26%
Increasing NextGen involvement in decision making/mgmt	15%	24%	20%
Increasing organisation's social responsibility	15%	16%	13%
Reimagining our approach to how we measure success	6%	10%	9%
Reducing organisation's carbon footprint	3%	15%	8%
Supporting local community via increased investment/activity	0%	8%	8%



## However, there is resistance to change and a lack of digital capabilities

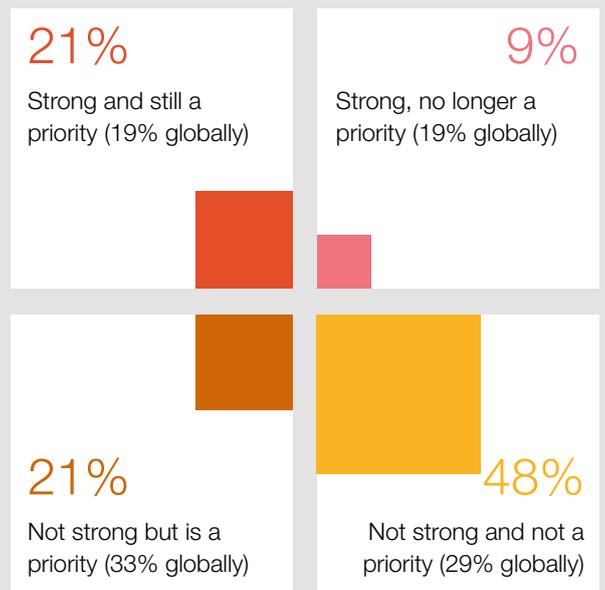
### Vietnamese FBs are still behind the digital curve

COVID-19 highlighted the benefits of digital transformation. For Vietnamese FBs to achieve their priorities, they must be mindful and plan for ways to approach these three key areas (see Figure 5).

In addition, although Vietnamese FBs name digital, innovation and technology as the second key priority for the next two years, only 30% said they have strong digital capabilities. Amongst those, only 9% feel strongly confident about their digital capabilities so that it is no longer a high priority (see Figure 6).

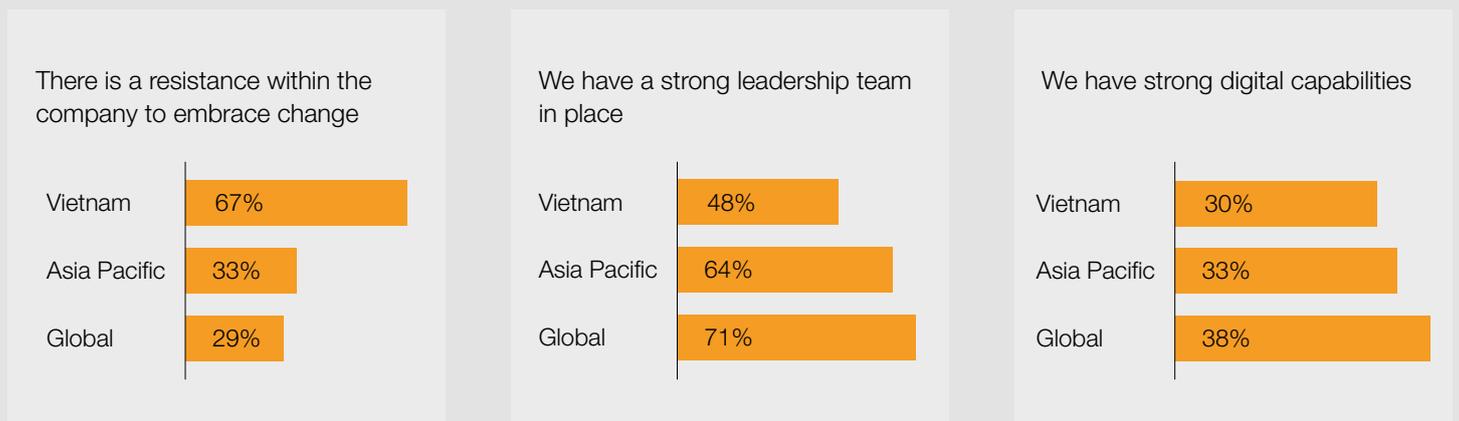
**Figure 6: Vietnam FBs’ digital capabilities and priorities?**

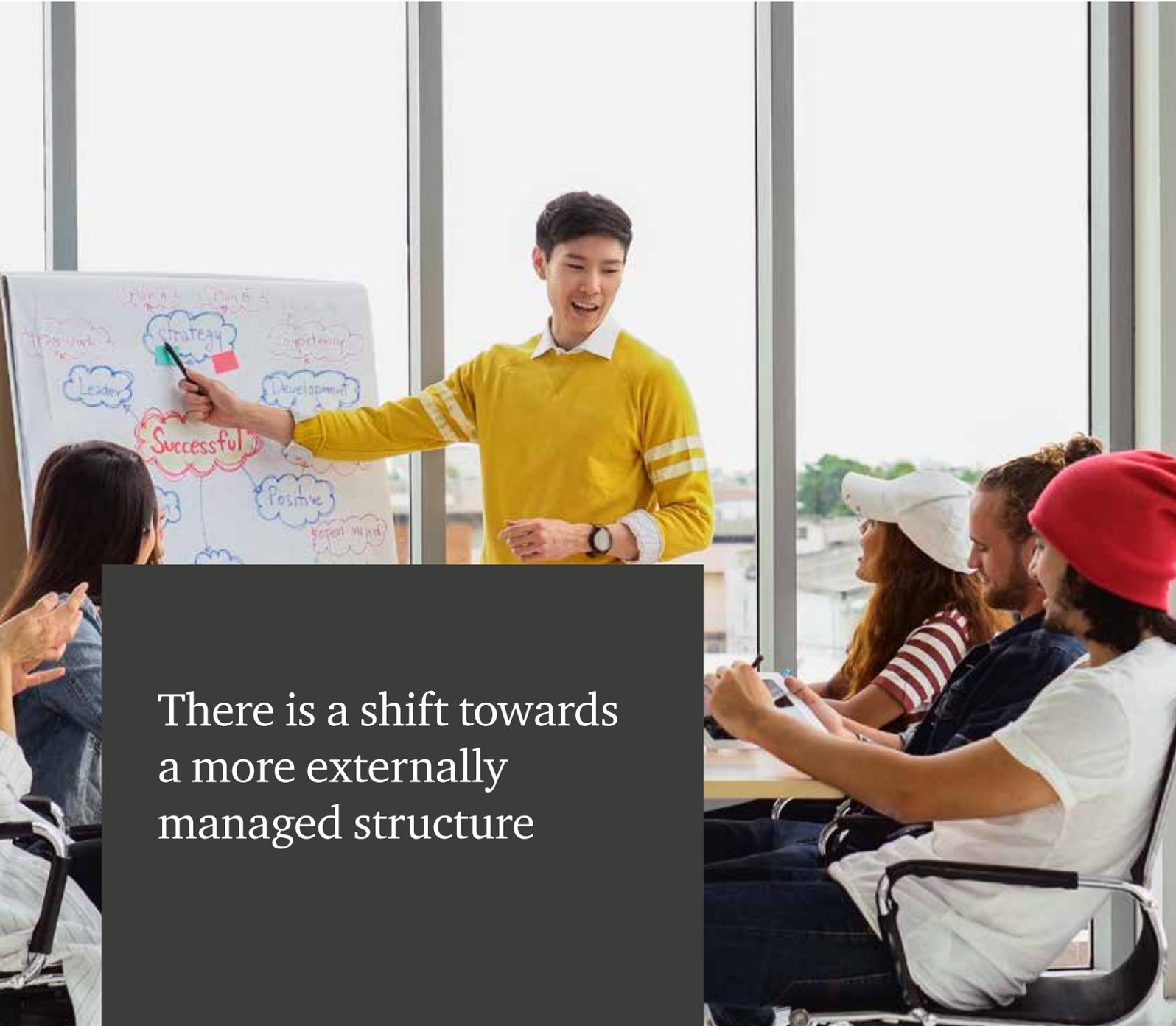
Q. How strongly do you agree or disagree that...



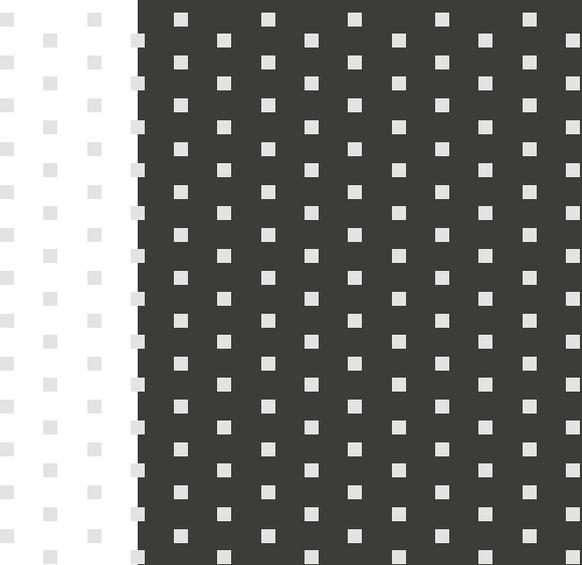
**Figure 5: Key challenges in the organisations**

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





There is a shift towards  
a more externally  
managed structure





## Towards business diversification

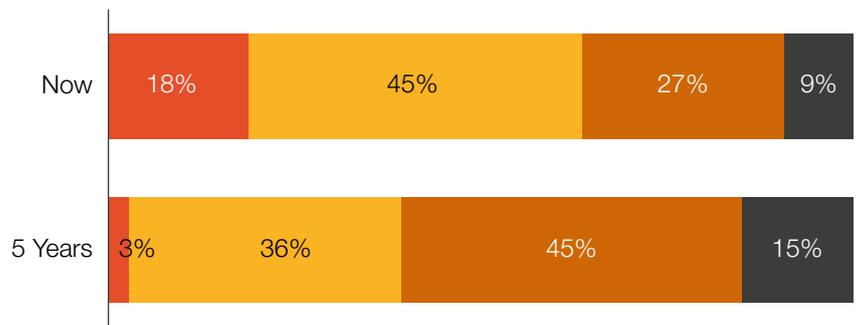
**45%** says their family business will be diversified in 5 years' time

While financial resilience makes Vietnamese FBs well-placed to succeed, findings from this survey also highlight FBs need to readjust their views on themselves and on society. It is encouraging to note that in five years' time, Vietnamese FBs are aiming to be more diversified and further evidence shows that FBs think diversification is one of the keys to succeed in the future (see Figure 7). This follows global trends with similar figures being reported for both Asian Pacific and Global FBs.

**Figure 7: Family business model now and in 5 years' time**

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

■ Entrepreneurial business ■ Focused business ■ Diversified business ■ Family investment office



In addition, the results highlight the trend that more Vietnamese FBs will become Family Investment Offices. According to the UBS/PwC Billionaires Insights 2019<sup>2</sup>, in the five year period of 2013 to 2018, the aggregate wealth of billionaires has increased by over 33% (equivalent to \$2.2 trillion USD). Given the growing wealth in Asia, and in Vietnam particularly, it is not surprising that Asian families are planning ahead and starting to institutionalise the management of their family wealth. The topic of setting up a family office has now moved from dinner conversations to active planning and implementation.

<sup>2</sup> UBS/PwC Billionaires Insights 2019, <https://www.pwc.ch/en/insights/fs/billionaires-insights-2019.html>



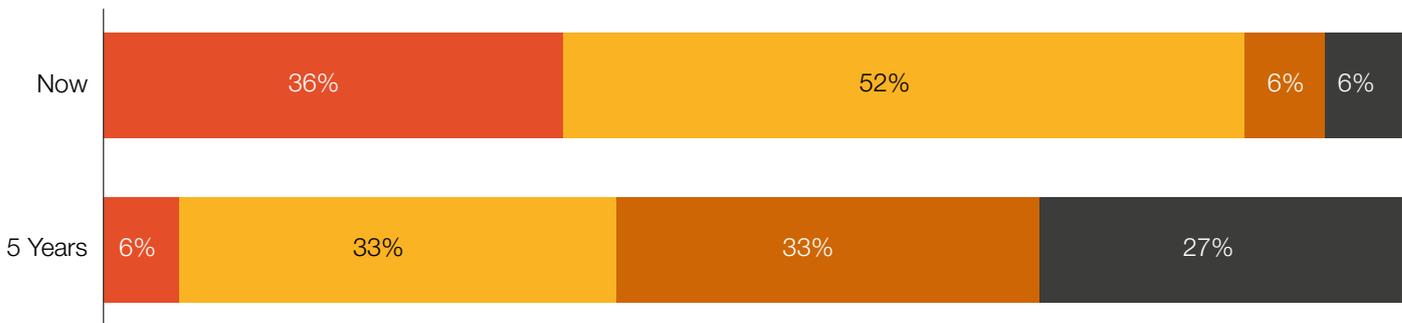
## Shift to a more externally managed structure

The current operating model among Vietnamese FBs is concentrated on family and owner managed businesses (52% and 36% respectively). However, the survey findings show that in five years, Vietnamese FBs will shift towards more external involvement in family businesses. In detail, it will transit from owner/family managed businesses (decreased to 38% from 87%) to family-owned/externally-managed or externally-run businesses (increased to 60% from 12%) (see Figure 8). This is aligned with the trends around the globe.

**Figure 8: Family business structure now and in five years' time**

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

■ Owned managed ■ Family managed ■ Family controlled ■ Family owned (Externally run)



As business grows and requires more formal management with a board of directors and rigorous strategic planning, family owners will need to consider professionalising their company. Therefore, there is a need to bring in additional talent to maintain growth and utilise the benefits that external talent can bring to the business.

- **Attract external parties** - External executives bring new skills and fresh perspectives to attract investors and talents.
- **Reduce day-to-day operational risks** - This gives original founders more time to build a long-term strategic vision for the business.
- **Act as change agents** - They have the capacity to turn the business around, especially when a new executive is committed to improving performance and key managerial practices<sup>3</sup>

<sup>3</sup> PwC, AvS – International Trusted Advisors, INSEAD, Wendel International Centre for Family Enterprise, Making external executives successful in family businesses, 2020, <https://www.pwc.com/gx/en/services/family-business/assets/pwc-family-business-study.pdf>

# Greater generational involvement and transition

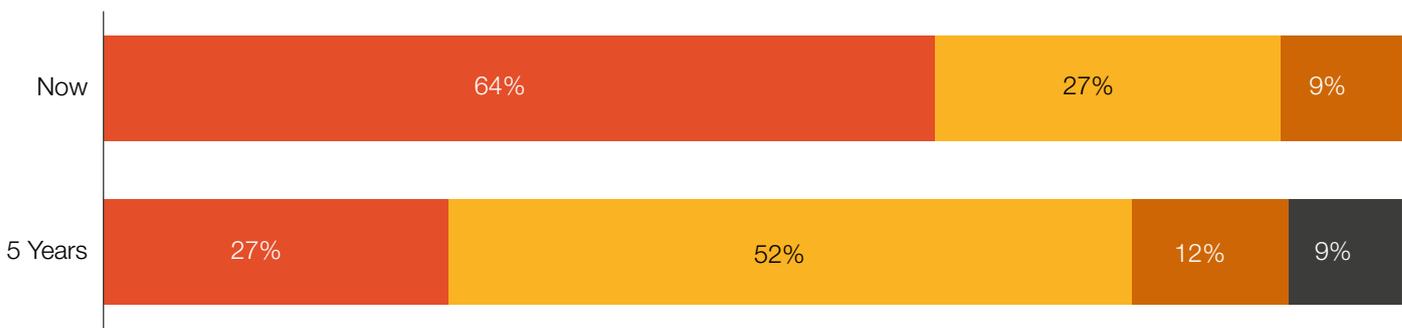
**58%** of Vietnamese FBs have next generation family members working in the business.

Vietnamese FBs are relatively young, with nearly two-thirds of the firms reporting 1st Gen as majority shareholders, compared to 43% in the Asia Pacific region and 32% globally. In the next five years, there will be a sizeable generational shift with 52% of companies saying they will have 2nd Gen and about 20% having 3rd or 4th Gen as majority shareholders (see Figure 9).

**Figure 9: Family majority shareholder now and in five years' time**

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

■ 1st Generation ■ 2nd Generation ■ 3rd Generation ■ 4th Generation



This foreseeable generational shift closely aligns between business priorities and where Vietnamese NextGens think they can add the most value. According to PwC Vietnam's NextGens report in 2019<sup>4</sup> :

- **Professionalism** - 60% of NextGens believe they can add significant value to professionalising and modernising management practices
- **Diversification** - 57% say that can bring value by diversifying their family business services and products
- **Digitalisation** - As digital natives, NextGens are confident in their ability to help the family business adapt in an age of digital disruption

<sup>4</sup> PwC Vietnam's NextGens report in 2019, <https://www.pwc.com/vn/en/publications/vietnam-publications/nextgen-survey19.html>





However, an effective transition requires clear internal institutions.

**Family dynamics are a sensitive issue - and topics such as succession planning can be emotional.**

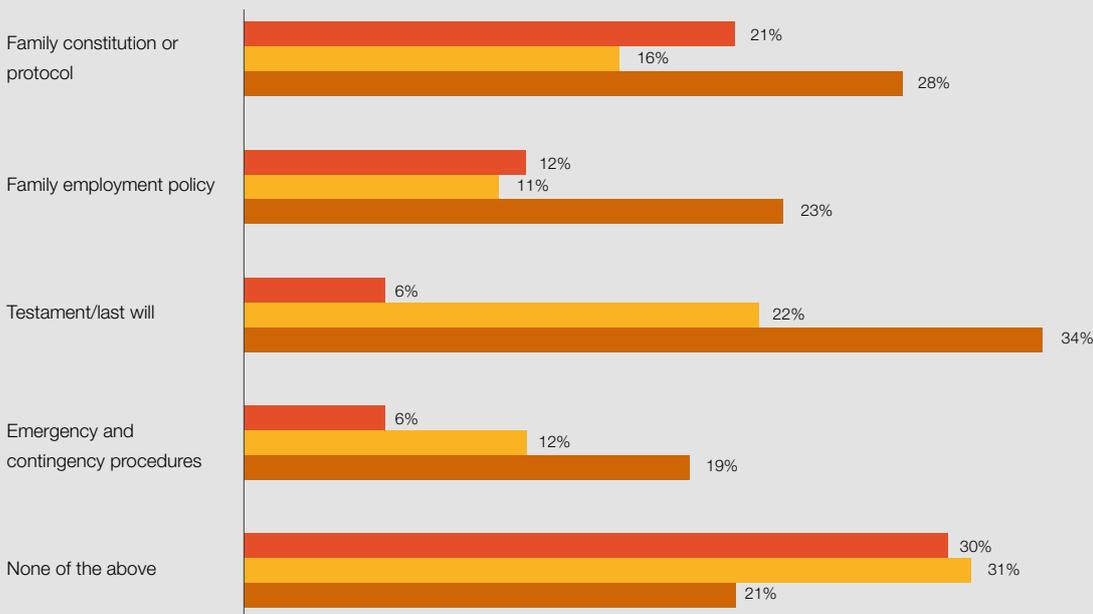
Succession planning continues to be a sensitive issue. Only 36% of Vietnamese FBs claim to have a robust, documented and well-communicated succession plan in place. In addition, these plans have not been translated into company governance policies, with only 6% having Testaments/last will and Emergency and contingency procedures (see Figure 10).

Continuity and succession planning are critical to achieving a long-term legacy and include things such as defining when family members can work in the business, how profits are distributed, who serves on the board, and how to plan for next generation leadership. Not having a clear plan in place can put Vietnamese FBs, and family relationships, at risk.

**Figure 10: Family Governance policies in place - Vietnam compared to Asia Pacific and Global**

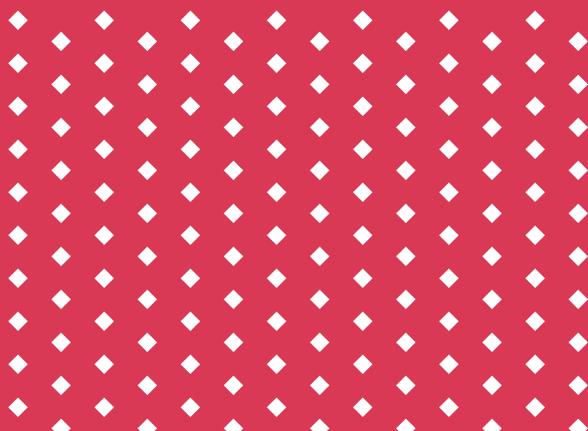
Q. Which of the following policies and procedures, if any, do you have in place?

■ Vietnam ■ Asia Pacific ■ Global





Gives back to  
community but are not  
prioritising sustainable  
practices





## Vietnamese FBs approach to corporate responsibility

85%

of Vietnamese FBs are reportedly engaged in some form of social responsibility activities.

Giving back is in the DNA of Vietnamese FBs. This tends to involve contribution to the local community (67%) or traditional forms of philanthropy (58%).

In addition to prioritising the well-being of their employees, Vietnamese FBs are supporting their local communities with 39% showing that the corporate social responsibility (CSR) agenda is already part of their organisation culture (see Figure 11)

However, in some areas, such as taxation, Vietnamese FBs diverge from their global counterparts. 39% say that they see the value in paying their fair shares in taxes as good corporate citizens. This sentiment is lower than the 57% of Asia Pacific FBs and 56% global counterparts. This perhaps reflect the the focus on business development and growth opportunities that Vietnamese FBs are currently prioritising.

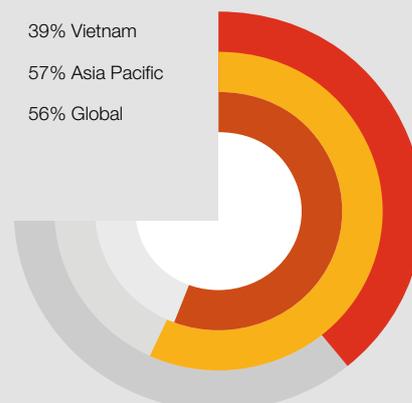
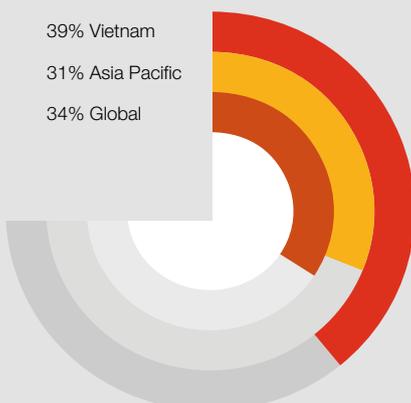
**Figure 11: How Vietnamese FBs feel about their roles in Inclusive impact**

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

■ Vietnam ■ Asia Pacific ■ Global

**Corporate social responsibility is CORE to everything we do**

**We see the VALUE IN PAYING OUR FAIR SHARE OF TAXES as good corporate citizens**





## Sustainability is real, inclusive, and lasting

**However, only 45% believe there is an opportunity to lead sustainable business practices.**

In terms of future intentions, Vietnamese FBs are equally divided with 45% of local respondents seeing opportunities to lead the way in sustainable business practices while the same ratio think they will play their part when required. This might partly explain the lower level of priority for Environmental,

Societal and Governance (ESG) related issues, with only 21% agreeing that there is a responsibility to fight climate change, compared to about 50% both at the Asia Pacific region and global level.

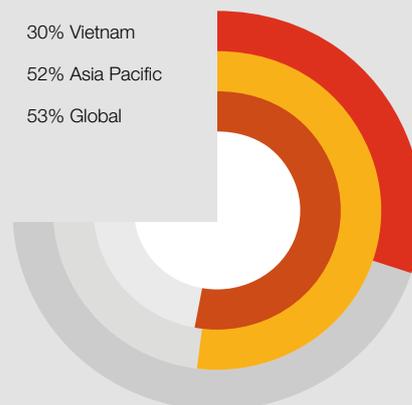
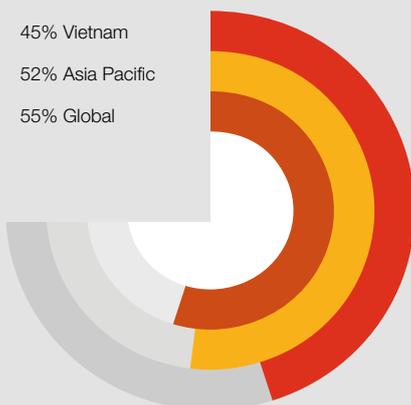
**Figure 12: How Vietnamese FBs feel about their roles in Inclusive impact (con't)**

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

■ Vietnam ■ Asia Pacific ■ Global

**There is an opportunity for family businesses like ours to lead the way in SUSTAINABLE BUSINESS PRACTICES**

**In order to succeed going forward our business is going to need to deliver GREATER BENEFITS for the PLANET AND HUMAN SOCIETY**



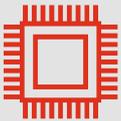


How will  
Vietnamese Family Businesses  
drive future growth?

Time

to act is now

Our final conclusions focus on the three key areas that Vietnamese FBs can address to secure a lasting formula for success for the next generations.



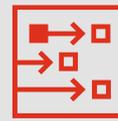
### Transform digital capabilities

The shocks of COVID-19 reveal that those with digital capabilities already in place were better prepared for the crisis. Those FBs that are not prioritising digitalisation and have not made progress will face significant challenges in protecting their legacy.



### Professionalise family governance

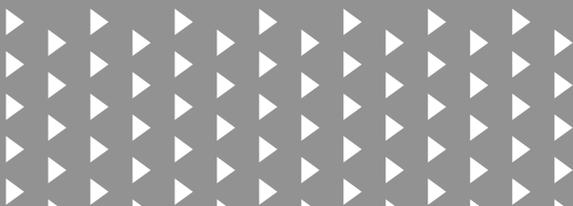
Vietnamese FBs need to continue improving their internal governance by adopting more business-like practices. Codifying values through proper corporate governance standards will help with both performance and family communications.



### Deliver on ESG

Vietnamese FBs have a richly deserved reputation for prioritising the welfare of their employees and the communities in which they operate. But they are also at risk of losing control of the narrative, and larger, listed companies are claiming the ESG agenda for themselves.

Family businesses need to learn how to measure and effectively communicate their ESG agenda to a wider stakeholder group.



## Key questions for family business leaders:



### How to make your digital transformation move faster

Moving faster along a digital journey requires an understanding of the value of data and analytic tools, as well as a commitment to upskilling your workforce. You should also recognise that transformation must be a part of a cultural shift that is supported by highly engaged leaders. Start this process by asking the right questions:

- How can I make faster and better decisions by [optimising my data assets](#)?<sup>5</sup>
- Do I understand the [critical success factors](#) for transforming my business?<sup>6</sup>
- Is my workforce [ready for the future](#)?<sup>7</sup>



### How to start addressing family governance

Family dynamics are always an emotional issue, but one that, when addressed, can lead to significantly stronger outcomes. Here are some initial steps to help ensure good working relationships within a family business.

- Join a network that offers peer-to-peer learning and helps family business owners identify trusted advisers. Such networks operate through regional and international organisations, including the Family Business Network International and PwC's Family Owners Network.
- Regularly revise your family governance provisions based on best practice targets.
- [PwC's Owners Agenda](#), for example, creates a practical framework to help prioritise actions.<sup>8</sup>
- Develop well-planned [family leadership summits](#) that engage with the next generation. This is a tried-and-true practice that can engage NextGens and provide career path guidelines.<sup>9</sup>
- Review and consider shaking up the [board composition](#). A more diverse board that is not composed of family or friends of family will help challenge thinking.<sup>10</sup>

## Key questions for family business leaders:



### How to get your sustainability agenda started

Here are three areas to consider to help embed ESG into your business operations and to engage with both the NextGen and your board in the process.

- Measure the total impact of ESG actions. PwC has created a [Total Impact Measurement and Management](#)<sup>11</sup> framework to help companies develop the capabilities to act on ESG goals and make better-informed business decisions.
- Follow best practices on non-financial reporting. The World Economic Forum recently published its [Measuring Stakeholder Capitalism](#) report, which describes a set of universal metrics under four pillars: people, planet, prosperity and principles of governance.<sup>12</sup>
- Your family is unique, and so are your children. [Take a short quiz](#) to find out which NextGen path they may be on, and explore case studies and tailored recommendations for the incumbent generation and next generation.<sup>13</sup>

<sup>5</sup> PwC, Data and analytics, accessed in Jan. 2021, <https://www.pwc.com/gx/en/issues/data-and-analytics.html> .

<sup>6</sup> Al Kent, David Lancefield and Kevin Reilly, "The four building blocks of transformation," strategy+business, 22 Oct. 2018, <https://www.strategy-business.com/article/The-Four-Building-Blocks-of-Transformation?gko=aa2b7>

<sup>7</sup> PwC Vietnam, "Vietnam Digital readiness Report", 2021 <https://www.pwc.com/vn/en/publications/2021/pwc-vietnam-digital-readiness-report-en.pdf>

<sup>8</sup> PwC, Family business services, accessed in Jan. 2021, <https://www.pwc.com/gx/en/services/family-business.html>

<sup>9</sup> Bob Frisch and Cary Greene, "Leadership Summits That Work," Harvard Business Review, Mar. 2015, <https://hbr.org/2015/03/leadership-summits-that-work>

<sup>10</sup> Jared Landaw (Barrington Capital Group LP), "Maximizing the Benefits of Board Diversity: Lessons Learned From Activist Investing," Harvard Law School Forum on Corporate Governance, 14 July 2020, <https://corpgov.law.harvard.edu/2020/07/14/maximizing-the-benefits-of-board-diversity-lessons-learned-from-activist-investing/>

<sup>11</sup> PwC, Total Impact Measurement and Management, accessed in Jan. 2021,

<https://www.pwc.com/gx/en/sustainability/publications/total-impact-measurement-management/assets/pwc-timm-report.pdf>

<sup>12</sup> World Economic Forum news release, "Measuring Stakeholder Capitalism: Top Global Companies Take Action on Universal ESG Reporting," 22 Sept. 2020, <https://www.weforum.org/press/2020/09/measuring-stakeholder-capitalism-top-global-companies-take-action-on-universal-esg-reporting>

<sup>13</sup> PwC, Global NextGen Survey 2019, <https://www.pwc.com/gx/en/services/family-business/nextgen-survey.html>

About the

Family Business Survey





# Methodology

## About the Family Business Survey

The Family Business Survey is a global market survey of owners and executives. The yearly turnover of participating companies ranges from under US\$5m to more than US\$6bn. The goal of the survey is to get an understanding of what family businesses are thinking on the key issues of the day. All results were analysed by Jigsaw Research.

2,801 online surveys conducted in 87 territories between 5 Oct. and 11 Dec. 2020



Europe	1061
Middle East	73
Africa	231
North America	205
Latin America	413
Asia-Pacific	817

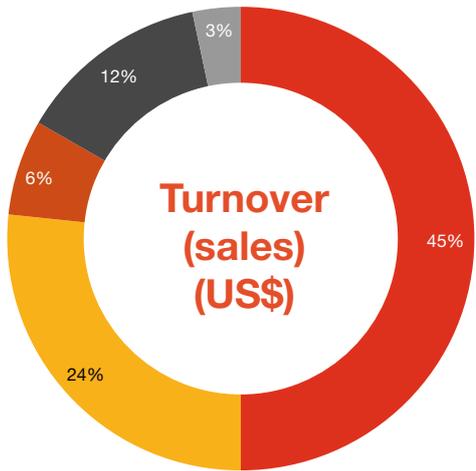
**Note:** Sum of surveys doesn't total to 2,801, because one respondent was unable to select a territory.

**Source:** PwC Family Business Survey 2021

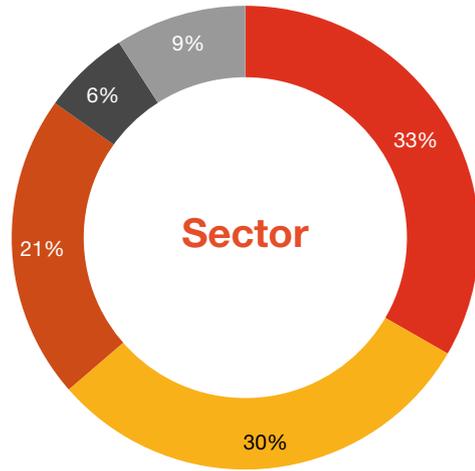
Scan to read the  
10th Global Family  
Business Survey



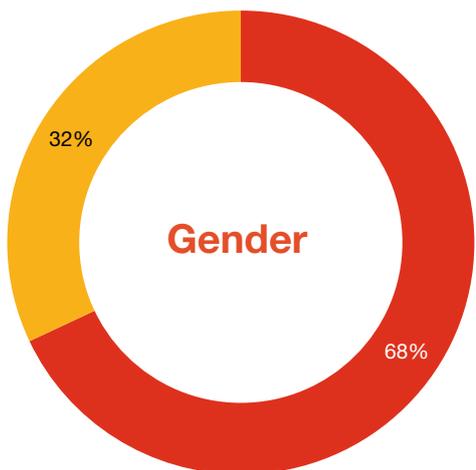
# Vietnam respondent profile



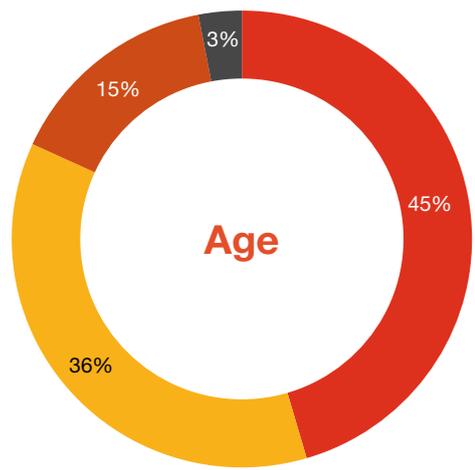
- Less than \$10m
- \$10m - \$50m
- \$50m - \$100m
- \$100m - \$500m
- \$1bn+



- Industrial Manufacturing & Automotive (IM&A)
- Consumer Markets (CM)
- Financial Services (FS)
- Technology, media, Telecommunications (TMT)
- Others



- Male
- Female



- Under 35
- 35-44
- 45-54
- 55-64

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