

Title: Addressing NextGen unique needs

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Author: Hoang Anh

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Addressing NextGen unique needs



Hoang Hung, Entrepreneurial and Private Business leader at PwC Vietnam

The next generation is ready to take the baton at Vietnamese family businesses, putting to the task their fresh ideas. However, many of them feel discouraged by the lack of opportunities for advancement and career development at these family businesses. Hoang Hung, Entrepreneurial and Private Business leader at PwC Vietnam, discusses with VIR's Hoang Anh this conflict highlighted by PwC's latest report.

PwC has launched its Global Next-Gen Survey 2019 - Vietnam in focus. What are the highlights of the report?

Last year marked the launch of Global NextGen Survey 2019 – Vietnam in Focus, which features a strong participation from the country. Although the biannual PwC Global NextGen Survey was first released in 2013, this Vietnam cut is the first time for us and it is an important milestone for our country. In terms of highlights of the report, I would say there are two key points. Those surveyed, Vietnam's next generation, are driven by their desire to lead and make a difference in their family business. Our results show that 71 per cent of Vietnamese respondents to our survey already play an active part in their family business or plan to become involved in them over the next five years.

This shows the country's next generation has a strong willingness to engage in and are committed to their family businesses. Looking ahead, 38 per cent of this group expect they will become executive directors by 2025.

They, however, require greater trust and empowerment from the current generation. The number of opportunities to lead for them (30 per cent) is much lower than their peers in all of the Asia-Pacific (52 per cent on average). This reality highlights a key challenge faced by Vietnam's next generation, who want to make their desired impact on their family businesses.

The report finds that they are anxious to prepare for leadership roles as they see themselves driving companies forward in a more complex future. However, what they need is the trust and support of the current leaders to provide them with more opportunities to take the lead.

What are the determining characteristics of Vietnam's next generation and what challenges do they face?

Our respondents are young digital natives and largely from the second generation. Around 81 per cent of the Vietnamese respondents are from the second generation as compared to 61 per cent in Asia-Pacific. A total of 90 per cent of respondents surveyed are between the ages of 21 and 34. This percentage is much higher than those in Asia-Pacific (65 per cent).

This demographic factor provides us context in relation to where the Vietnamese next generation is today, their ambitions, the way they build trust, and what they need to succeed.

As young digital natives, their outlook for growth is linked to how technology is necessary to future-proof their family business. Nearly three-quarters of the respondents in Vietnam see technology as a key driver of change for their family business. This number is higher than the 59 per cent of respondents in Asia, and the 61 per cent globally.

The nation's next generation recognises that technology may be disruptive to their businesses, and that having a strategy fit for the digital age is no longer "nice-to-have" – it should be one of the key priorities for their family business. They also point out that there is room for improvement when it comes to the use of technology and entrepreneurial culture in their family business. They are confident

in their capabilities to lead and embrace the changes in their business in the future.

In terms of challenges, our report findings reveal that this grouping lacks experience and expertise, which could be rooted in their young age. This also corresponds with the fewer number of opportunities given to them to lead. Both, the lack of opportunities and insufficient experience are a conundrum that Vietnam's next generation faces as they seek to prove themselves as future leaders.

The other constraint that our respondents perceive relates to the practice of governance and the rules in their family businesses. While the youngsters see the need to develop themselves, they also point to the external factor of having a more fitting, relatable governance practice in their family business that is more aligned to the modern marketplace.

What stances have the family businesses in Vietnam generally taken in terms of succession? Do these stances have any implications for the next generation?

The majority of Vietnamese family businesses are transitioning from the first generation to the second one. Not all of them, while being very successful with the first generation founders, have had an effective family business structure and a formal succession plan. The absence of these two important factors, together with the driving oriental culture make the transition more challenging and vulnerable.

A family business itself has many conflicts to resolve. For family businesses to be sustainable and to grow over the following generations, perceptions and behaviours from different perspectives must be addressed appropriately. In Vietnam, the legal frameworks and regulations relating to business ownership and operations are still being adjusted towards international practices and practicality. The family governance principles and rules are, often, still in the early stages.

From inside the family businesses, the absence of a formal succession plan prevents Vietnam's next generation from

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gaining confidence and receiving the full support from the older generations and also from other stakeholders in the family businesses. In many instances, the result is that the follow-ups feel confused and uncertain.

Last but not least, there is another key obstacle that I would like to highlight: the tendency to have one single dominant influence and its relation to the custom of primogeniture in many family businesses in Vietnam. This is a practical issue. Very often, it occurs when the first-generation founders or the current generation still wish to control or influence the business, or when more than one member of the next generation becomes involved in the business.

How can we guide this next generation to successfully and sustainably lead their family business?

It goes without saying that proper preparation is essential for them to become the leaders they aspire to be. For the Vietnamese to successfully and sustainably lead their family business, I would look at two key areas.

First, understanding your persona helps you build your own paths to success. The needs and ambitions of this demographic are unique to each individual and their different businesses.

In PwC's Global NextGen Study 2017, we identified four distinct personas based on their skills, contributions, and career goals. Each persona has different approaches to build their own paths to success. In our 2019 edition, we looked at those personas again and developed some recommendations to help the leaders-next-in-line achieve their ambitions and reach the top levels of their organisations.

Second is the importance of aligned purposes and values. We understand that family businesses are often built around values and inspirational purpose. These factors bring power to a business, help assure cohesion, resolve conflicts, and strengthen operations.

In order to successfully lead their family business into the future, Vietnam's next generation needs to learn how to combine the legacy and values of their family business with their own ambitions. It is important for both them and the current generation to have transparent communication of ideas and needs. This will help build trust and bridge the gap between generations.

By Hoang Anh