The Right Transition

How Vietnam's Family Businesses Can Secure Leadership, Continuity and Growth

Vietnam's family businesses were built by founders who acted, decided and carried responsibility. They moved quickly, stayed close to customers and built relationships personally. In many cases, that founder-led model was the decisive reason the company succeeded.

But success changes the management task. As the business grows, too many decisions, relationships and responsibilities often remain concentrated in one person. What once created speed begins to create dependency. Succession therefore becomes necessary not because the founder has failed, but because the company has outgrown a leadership system centred on one individual.

Succession is not a title change. It is a managed business transformation.

Succession Is a Business Transformation

Too many companies still treat succession as the moment when one person hands a title to another. That is only an announcement. A real transition changes how the company is led, how authority is exercised and how responsibility is shared. It affects the founder, the next generation, the board, senior management, employees, banks, customers and investors. A successor can be appointed quickly. Leadership credibility and organisational capability take much longer.

The first question should therefore not be who will become CEO. It should be what leadership model the company needs for its next stage. If the organisation still depends on personal intervention, appointing a new leader will not solve the problem. Decision rights must be clarified, reporting must become reliable, management capability must be strengthened and key relationships must be transferred. The next generation must also be tested in real responsibility before it receives enterprise-wide authority.

Start With the Operating Model, Not the Name

When a family selects a person before defining the future operating model, it risks designing the company around an individual. The stronger approach is to define how ownership, board oversight and executive management should work, then determine who is capable of leading within that structure. This protects the business from both premature succession and indefinite delay.

The transition should produce a company that can decide, lead and act without waiting for the founder. That does not mean removing the founder. It means preserving his value while reducing the company’s dependence on his daily intervention.

The right successor cannot compensate for an operating model that still prevents others from leading.

The Founder Must Change Role Before the Company Can Change

The founder is usually the company's strongest asset. He may hold the trust of customers, the confidence of banks, the loyalty of employees and the practical knowledge behind important decisions.

The objective is not to discard that value. It is to use it differently. The founder must move from solving every problem to building a system in which others can solve problems.

Many founders say they want to delegate, yet continue to correct decisions, reopen issues and speak directly to managers below the successor. Under pressure, they take back control. The organisation reads the signal immediately: the new leader is not fully trusted. Employees then follow the formal structure only when the founder is absent, and the transition remains cosmetic.

The future role of the founder therefore has to be explicit. He may remain chairman, strategic adviser, owner representative or guardian of key relationships. What he should not remain is the hidden operational CEO. The company must specify which decisions stay with the founder, which belong to the board, which belong to management and how disagreements are resolved. These rules must be visible in daily behaviour, not only in documents.

Map the Dependencies

Management should identify where decisions, relationships and knowledge still depend on the founder. Which approvals repeatedly return to him? Which customers, banks or government contacts know only him? Which agreements and lessons exist only in his memory? Each dependency should lead to a named action, a responsible person and a timeline. The point is execution, not diagnosis.

Build the Next Generation Through Real Responsibility

The next generation often brings strong education, international exposure and new ideas. That is valuable, but it does not create leadership authority. A family name may open the door; it does not establish credibility with employees, customers, banks or experienced managers. Credibility is earned through decisions, performance and the ability to carry consequences.

The strongest development path is practical. A future leader should take responsibility for a business unit, a new market, a digital programme, a cost initiative, an investment or a restructuring task. The assignment must matter to the company and have clear objectives, measurable results and genuine authority. This gives the family and the organisation evidence of how the individual leads under pressure.

Two mistakes are common: protecting a family successor from failure, and demanding results while every important decision still requires informal approval. Both weaken the successor. Responsibility must be real, authority must be sufficient and accountability must be equal. Family members should neither be promoted because they are family nor prevented from leading because older managers refuse to release authority.

Select Against the Future, Not the Past

The next leader does not need to copy the founder. He must build on the founder's achievements and lead under new conditions: stronger competition, more regulation, greater organisational complexity and closer scrutiny from lenders and investors.

Professional Management Strengthens Ownership

The family should retain authority over purpose, long-term direction, risk appetite, capital allocation and key appointments. Management should run the business within that framework. Daily intervention without operational accountability creates confusion, not control.

The family defines direction. The board provides oversight. Management executes.

Give External Executives a Genuine Mandate

Vietnamese family businesses increasingly recruit executives from multinational companies, banks, professional services firms and large domestic groups. Many appointments disappoint both sides. The family concludes that the executive does not understand the company; the executive concludes that the role exists only on paper. In many cases, the real problem is neither competence nor commitment. It is weak role design.

A senior title is meaningless when the executive cannot appoint key staff, change processes, challenge family members or approve the decisions required to deliver results. Before recruitment begins, the owners should define what the executive can decide, which matters require board or owner approval, how performance will be measured, what information will be available and how conflicts with family executives will be resolved.

The adjustment is mutual. The family must release real authority. The external executive must understand that a family business has a history, identity and ownership logic that cannot simply be replaced by a corporate model imported from elsewhere. Professionalisation works when both sides adapt without abandoning their responsibilities.

Governance Must Improve Decisions

Governance is the practical answer to one question: who decides? As ownership and operations become more complex, informal coordination becomes unreliable. Questions about dividends, reinvestment, family employment, succession and capital allocation should not be mixed with daily management. Ownership matters belong with the owners, strategic oversight with the board and operational execution with management.

The board must challenge strategy, review performance, protect the company from major risks and ensure that leadership remains effective. Not every family business needs a large formal board, but every serious transition needs a group capable of asking difficult questions: Is the successor ready? Is management strong enough? Is the company too dependent on the founder? Are investments aligned with strategy?

Governance should reduce uncertainty and improve decisions - not create ceremony.

Manage the Transition as a Programme

A successful transition does not happen through a single announcement. First, the family aligns on the future direction of the company, the role of the founder, the expectations of the next generation and the intended ownership model. Second, the organisation strengthens management capability, reporting, decision-making and leadership depth. Third, the future model is tested through real responsibility. Fourth, authority, relationships and decisions are transferred visibly. Finally, the board and owners stabilise the new system and stop old patterns from returning.

1	**Clarify authority** Define what belongs to owners, the board, the founder and management.
2	**Transfer responsibility** Move decisions, relationships and knowledge to named leaders with deadlines.
3	**Test under pressure** Verify that the new model works when performance, liquidity or relationships are challenged.

Daily Behaviour Shows Whether the Transition Is Real

The transition is decided in daily behaviour. Does the founder continue to reverse decisions? Does management act within its mandate? Does the next generation carry visible responsibility? Do employees and customers accept the new structure? Regular reviews, documented decisions and clear escalation routes are the mechanisms through which personal leadership becomes institutional capability.

Questions Owners and Managers Should Ask Now

Can the company operate for three months without the founder’s daily involvement? Does management know which decisions it can make? Is the next generation carrying real responsibility? Are key customer and bank relationships shared with the future leadership team? Are external executives genuinely empowered? Does the board challenge the business? Would employees, lenders and investors remain confident during a leadership change?

The Right Transition Protects Both Legacy and Future

The strongest family businesses will not choose between family identity and professional management. They will combine both. They will preserve the founder's entrepreneurial strength while building a company that can perform without permanent founder intervention. They will give the next generation opportunity, but not automatic entitlement. They will recruit professional executives, but give them real authority. They will use governance to improve decisions, not to create ceremony.

The future of a family business is not secured by naming a successor. It is secured when the company can continue to decide, lead and grow with confidence. The right transition moves authority, relationships and capability into a system that can outlast individuals while respecting the people who built the company.

Preserve the legacy. Build the capability. Transfer authority before circumstances force the decision.

VIET Transformation Advisors supports Vietnamese business families, owners, boards and management teams in preparing and implementing leadership, governance and generational transitions. Our work focuses on the practical issues that determine whether a transition succeeds: ownership alignment, founder-role evolution, next-generation development, management professionalisation, governance, stakeholder confidence and disciplined implementation.

Dr. Sven David

Founder and General Director

VIET Transformation Advisors Co., Ltd.

contact@viet-ta.com | www.viet-ta.com