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# Family Business Gone Wrong? Ownership Patterns and Corporate Performance in Thailand

Akira Suehiro

May 2001

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For many scholars and international institutions, the postcrisis agenda facing Asia has been mainly to reform corporate governance. However, they have paid little attention to how to implement such reforms. Can this Western concept of "good corporate governance" be successfully adapted to Asian corporations?

This is one of the fundamental questions addressed in this paper, which takes the case of Thailand to test if the ownership structure of family-run businesses was really the main culprit behind the Asian financial crisis, and whether changes in this regard have helped improve corporate performance for the recovery.



**ADB Institute**  
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**No. 19**

May 2001



**Family Business Gone Wrong?**  
**Ownership Patterns and Corporate**  
**Performance in Thailand**



**Akira Suehiro**

In association with  
Nate-napha Weilerdsak

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## PREFACE

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The ADB Institute aims to explore the most appropriate development paradigms for Asia composed of well-balanced combinations of the roles of markets, governments and institutions in the post-crisis period.

Under this broad research project on development paradigms, the ADB Institute Working Paper Series will contribute to disseminating works-in-progress as a building block of the project and will invite comments and questions.

I trust that this series will provoke constructive discussions among policymakers as well as researchers about where Asian economies should go from the last crisis and current recovery.

This Working Paper is part of the ADB Institute's research project on corporate governance.

Masaru Yoshitomi  
Dean  
ADB Institute

## ABSTRACT

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Since the Asian currency and economic crises erupted in 1997, many scholars and international financial organizations have discussed their major causes and proposed policies that could overcome the structural weaknesses that apparently led to the crises. In this context, scholars at the International Monetary Fund, World Bank and numerous other institutions have emphasized the need for Asian governments to bring about institutional reforms in corporate governance. However, they seem to have paid little attention to the important issue of how to effectively implement these institutional reforms, keeping in mind the reality of Asian corporations rather than the Anglo-American ideal of good corporate governance.

The World Bank, in general, and a group of researchers working at that institution, in particular, have focused on identification of ultimate owners, agency problems, the large gap between control rights and cash flow rights, and expropriation of minority shareholders. However, it appears that in their analysis they have not taken into account the actual functioning of local Asian firms and their responses to government institutional reforms after the crisis.

Their analysis raises two major questions: (1) How have local firms adjusted themselves to reforms, and has such adjustment positively contributed to improvement of corporate performance, stock market movement and the national economy? (2) Has the introduction of the Anglo-American model of good corporate governance into local firms really resulted in improved performance at the individual firm level? In short, the main question addressed is whether the Western concept of “good corporate governance,” which presupposes the presence of independent directors and minority protection of shareholders as key elements for sound corporate activity, can be adapted to Asian corporations.

In this study, we have attempted to address these questions by exploring the interrelationships between ownership patterns, corporate structure and economic performance, based on our own research of the 448 listed companies in Thailand between 1996 and 2000.

We examined the economic performance of Thai listed companies based on data taken from their financial statements. We focused on their ownership patterns and investigated the correlation between the firms’ economic performance and their ultimate owners (family business), foreign ownership, the presence of minority shareholders and ownership/management separation among family-owned firms.

Arising out of our findings are two useful hypotheses concerning family-run business and corporate reforms in Thailand. The first is that family businesses in themselves were not a major cause of the financial crisis and have not hindered recovery. Taking into account the significant role that family businesses have played in Thailand’s nonfinancial sector, it would be better and more rational to introduce ways of revitalizing existing family businesses to support sustainable growth rather than trying to directly adapt the Western model of good corporate governance to local firms.

The second hypothesis is that family businesses are not automatically viable entities unless they work to adjust themselves to the changing environment. They now face the need for fundamental corporate restructuring under pressure of economic liberalization and industrial upgrading in Thailand.

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# **Family Business Gone Wrong? Ownership Patterns and Corporate Performance in Thailand**

Akira Suehiro<sup>†</sup>

## **1. Introduction: What is Good Corporate Governance for Thailand?**

This paper explores the interrelationships between ownership patterns, corporate structure and economic performance, based on our own research of the 448 listed companies in Thailand between 1996 and 2000. We would like to address three questions:

- (1) Do family businesses always perform poorly due to their traditional pattern of control over both ownership and management?
- (2) Do minority shareholders contribute not only to a firm's increased market valuation, but also to its improved corporate performance?
- (3) To what extent does the separation of management from ownership among family-run businesses and the degree of independence of their Board members improve corporate performance?

In short, the main question addressed in this paper is: can the Western concept of "good corporate governance," which presupposes the presence of independent directors and minority shareholders as key elements of sound corporate activity, be adapted to Asian corporations?

Since the Asian currency and economic crises erupted in 1997, many scholars and international financial organizations have discussed their major causes and have proposed policies that could overcome the structural weaknesses that apparently led to the crises. The International Monetary Fund (IMF) and World Bank have proposed to the governments of the crisis-hit Asian countries basically two interconnected types of reform: (1) the restructuring of financial institutions, and (2) corporate restructuring (World Bank, 1998; 1999). Financial institutional restructuring seeks to resolve commercial banks' high levels of nonperforming loans (NPLs) and introduce to the local financial sectors new institutional frameworks based on global standards. Corporate restructuring, on the other hand, mainly aims to restructure the huge amount of corporate debt by drastically reorganizing corporate structure, which is largely dominated by family-run businesses.

In this context, IMF and the World Bank inevitably stress the importance of Asian countries undertaking institutional reforms aimed at developing a direct corporate finance system (i.e., equity and corporate bond markets), and reforming local corporations in line with the so-called Anglo-American model of good corporate governance. The latter reform implies that a local corporation should be reorganized into a "modern" corporation, which utilizes the management skills of professional managers, and in which

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<sup>†</sup> In association with Nate-napha Weilerdsak.

the Board of Directors and minority shareholders can more effectively supervise management. Implicit in this argument is the assumption that family-run businesses have been prone to poor economic performance and lower stock market valuation, and have significantly contributed, in the long run, to structural weaknesses in Asia.

Based on these assumptions, IMF and the World Bank have proposed that Asian governments should adopt the following policies:

- develop their stock markets in order to promote direct corporate finance;
- appoint independent directors to company Boards and establish independent audit committees;
- introduce new audit and accounting systems in line with the International Accounting Standards Committee (IASC) or the American Financial Accounting Standards Board (FASB);
- introduce new legal frameworks governing bankruptcy in order to quickly resolve corporate debt conflicts between foreign creditors and local debtors; and
- promote an information disclosure system to improve local corporations' transparency for the sake of investors and minority shareholders.

In line with these proposals, the Thai Government introduced new institutional and legal frameworks by the end of 1999 (see Suehiro, 2001). Thus, it is necessary to carefully examine whether these policies have actually produced any positive results, in terms of improved performance at the level of firms, stock market and the overall national economy.

Scholars at IMF, the World Bank and numerous other institutions have emphasized the need for Asian governments to overcome structural weaknesses by bringing about institutional reforms in the governance of their corporate sector. However, they seem to have paid little attention to the important issue of how to effectively implement these institutional reforms, keeping in mind the reality of Asian corporations compared to the Anglo-American concept of good corporate governance.

In their research and policy recommendations on Asian corporate governance, the World Bank, in general, and a group of researchers working at that institution (Stijn Claessens, Simeon Djankov, and Larry Lang [CDL group], 1998; 1999), in particular, have focused on identification of ultimate owners, agency problems, the large gap between control rights and cash flow rights, and expropriation of minority shareholders. However, it appears that in their analysis they have not taken into account the actual functioning of local Asian firms and corporate responses to government institutional reforms after the crisis. Thus, two major questions should be raised.

The first question relates to how local firms have adjusted themselves to these reforms, and asks whether such adjustment has positively contributed to improvement of corporate performance, stock market movement and the national economy in Thailand. At least with regard to the stock market, these institutional reforms do not seem to have had a positive effect. As can be seen in Diagram 1, Thailand's stock market index has remained consistently at a low ebb since 1998. I have discussed this issue further in another recent paper by analyzing the impact of new policies or *the so-called disclosure-based screening system* adopted by the Stock Exchange of Thailand (SET) since 1998 (Suehiro, 2001).

The second question relates to whether the introduction of the Anglo-American model of good corporate governance into local firms has really improved performance at

the individual firm level. Although many scholars have reproached family businesses as constituting a key element in the institutional vulnerability of Asian economies, nobody, to our knowledge, has conducted intensive research work to explore correlations between ownership patterns of Thai firms and their economic performance. Thus, there has been no detailed study to answer the question of whether or how family businesses in Thailand have gone wrong.

In this study, which is part of a research project on Asian corporate governance initiated by the Asian Development Bank Institute (ADB Institute) in Tokyo, we have attempted to address these questions. We conducted a comprehensive survey of all the listed companies in Thailand in March to August 2000, in collaboration with the Faculty of Economics of Chulalongkorn University. We collected a large number of company documents in Thai and English compiled by both SET and the Commercial Registration Department of the Thai Ministry of Commerce. We then constructed a database on 448 listed companies, including detailed information on their types of business, ownership patterns, management structures and four-year business performance (1996-1999). We also put together profiles of their Board of Directors, and Executive Committee and Audit Committee members (6,028 persons in total). Analysis of the top management will be presented in a future companion ADB Institute working paper, entitled "Who Manages Thai Firms: Management Structure and Top Executives in Thailand."

## **2. The World Bank's Views on the Asian Crisis and Corporate Governance**

Immediately after the currency crisis hit Asia, the World Bank set about studying the nature of the crisis and formulated a set of economic and social restructuring plans in collaboration with IMF. The World Bank identified structural weaknesses or institutional vulnerability in the governance of both the financial sector and the corporate sector as among the main causes of the Asian crisis. It emphasized this aspect in a 1998 report:

"Rapid structural changes in the real economy were requiring improvements in the corporate governance of firms for which securities markets are important. This lack of well-developed capital markets meant that the monitoring of corporations was primarily the responsibility of banks and was not complemented by other financial institutions...Weak governance of banks, often influenced directly by government policies, added to the poor performance. Perhaps the most important weakness was the limited institutional development of banks" (World Bank, 1998a; pp. 34-35).

"The main lesson from the East Asian crisis is that it is important to take an integrated approach to the issues of corporate governance and financing. The poor system of corporate governance has contributed to the present financial crisis by shielding the banks, financial companies, and corporations from market discipline. Rather than ensuring internal oversight and allowing external monitoring, corporate governance has been characterized by ineffective boards of directors, weak internal control, unreliable financial reporting, lack of adequate disclosure, lax enforcement to ensure compliance, and poor audits. These problems are evidenced by unreported losses and understated liabilities" (Ibid., p. 57).

On the basis of such diagnoses, the World Bank proposed that Asia's governments should promote financial institutional reforms, including development of the equity and bond markets and improvement of corporate governance at the individual firm level, in line with global standards.

At the same time, towards the end of 1997, the World Bank conducted field surveys on 3,710 manufacturing firms in the five crisis-affected Asian countries: Indonesia (816 firms), Republic of Korea (857 firms), Malaysia (814 firms), Philippines (564 firms) and Thailand (659 firms). From these surveys, the researchers found that "a large number of shareholders did not mean a large number of effective owners. The mean combined ownership of the top 10 shareholders in companies with 10 or more shareholders averaged 84%, quite enough to override minority voices" ("The Ultimate Business Survey," *Asiaweek*, 16 April 1998). In addition to this company survey, a group of World Bank economists also initiated a more intensive study of ownership patterns and corporate governance in listed companies of nine Asian countries. The findings of this study have since been published in joint papers by Stijn Claessens, Simeon Djankov, Larry Lang (CDL), Joseph Fan and others (see References).

In their research, the CDL group focused on the correlation between ownership patterns and corporate governance. They sought to explore the corporate structure of listed Asian firms, as characterized by family ownership, by first identifying their ultimate owners (controlling shareholders). According to CDL group findings, Asian countries, in general, and the crisis-affected countries such as Indonesia, Republic of Korea and Thailand, in particular, were highly leveraged (debt to equity [D/E] ratio) due to heavy dependence on external borrowings (see Table 1). They also contend that the weak monitoring role of the financial sector in each country produced financial instability both at the national economy level and at the individual firm level. Further, such financial instability has been accelerated by the dominance of family-owned firms over business activities in Asian countries (see Table 2), which further hindered the development of sound market discipline.

The dominance of family-owned firms is interpreted by the CDL group as the concentration of ownership in the hands of ultimate owners, mostly owner-families. This phenomenon is common not only in Asian countries but also in other developing countries and produces obstacles to sound corporate governance, as follows:

"First, ownership concentration may impede the development of professional managers that are required as economies and firms mature and become more complex. Second, it may have led to increased risk taking behavior by firms, in particular given the inter-relationships between financial institutions and banks, and the supervisory weakness and perverse incentives prevalent in the Thai financial system during the 1990s. In addition, in order not to lose control, large shareholders may have diluted market pressures for improved disclosure and protection for minority shareholders and are reportedly an impediment today to corporate workouts" (Pedro, Claessens and Djankov, 1998; p. 13).

Concentrated ownership, according to the CDL group, has two major impacts on corporate governance. First, it solves the classic agency problem between managers and owners, since large shareholders are able to effectively monitor firm management and

thus limit management ineffectiveness and abuse. Second, concentrated ownership tends to be detrimental to the interests of minority shareholders, by making them vulnerable to expropriation by controlling shareholders, especially in the presence of a wide gap between voting rights (control rights) and cash flow rights. This will make it difficult for local Asian firms to attract necessary money from the outside (Pedro, Claessens and Djankov, 1998; Claessens, Djankov and Lang, 1999). The World Bank supported this argument, as follows:

“Ownership concentration has benefits and costs. On the benefits side, it has been associated with firms enhancing their efficiency of operations and investment. On the costs side, it may lead controlling owners to expropriate other investors and stakeholders and pursue personal non-profit maximizing objectives, and it may impede the development of professional managers, who are required as economies and firms mature and become more complex. Empirical evidence shows an inverted “U”-shaped relationship between the degree of ownership concentration and profitability” (World Bank, 1998a; p. 60).

Expropriation of minority shareholders is reflected in lower market valuation of local firms. Indeed, on the basis of their empirical tests for listed companies in nine Asian countries, the CDL group concluded that “family control is an important factor behind the negative relation between control rights and market valuation” (Claessens, Djankov, Fan and Lang, 1999a; p. 22).

In our view, the problem with the World Bank group’s analyses is that they define good corporate governance mainly in terms of the Anglo-American model, which stresses the importance of capital markets, and the monitoring roles of independent directors and minority shareholders. These ideas directly influenced the institutional reforms initiated by Asian governments after the crisis. In line with these views, when examining good or poor performance of local Asian firms, CDL group often tested the correlation between ownership pattern and market valuation (investor’s reputation) in the stock markets. In addition, while analyzing the performance of local firms in terms of financial indicators, such as return on assets (ROA), they compared only average figures of listed companies among the nine Asian countries rather than comparing firm performance indicators by the difference in ownership pattern in a specific country (Claessens, Djankov and Lang, 1999).

Therefore, in this study we aim to examine economic performance of Thai listed companies based on data taken from their financial statements. We will focus on their ownership patterns and investigate the correlation between the firms’ economic performance and their ultimate owners (family business), foreign ownership, the presence of minority shareholders and ownership/management separation among family-owned firms.

### 3. Development of the Stock Market and Listed Companies in Thailand

#### 3.1. *The Importance of Listed Companies*

Corporations that are registered in Thailand are divided into two types: companies listed on the stock exchange regulated by the Public Limited Company Act (revised in 1992) and nonlisted companies regulated by the Company Act of the Civil Code (1927). What is significant is the fact that only listed companies were targeted by the Thai Government when it undertook corporate restructuring in line with IMF and World Bank proposals. Accordingly, it is necessary for us to examine the development of the stock market and the importance of listed companies by measuring (1) their weight among leading Thai firms, including foreign-owned firms; and (2) their weight among subsidiaries belonging to leading Thai business groups, including those controlled by owner-families.

Tables 3A and 3B, and Diagrams 2A to 2D summarize the distribution of the top 5,000 firms in Thailand in terms of their annual turnover in 1997 by type of firm, comprising public limited companies (PLCs), private limited companies, limited partnerships, registered ordinary partnerships and branches. Figures in these tables show that 475 out of the 5,000 firms (about 9.5%) belonged to the category of PLCs or “listed companies” and that the combined annual turnover of these 475 PLCs accounted for as much as 32% of the total annual turnover of the 5,000 firms in 1997. Clearly, this demonstrates the relative importance of listed companies compared to other types of firms.

What should not be overlooked here is the fact that the weight of PLCs among foreign firms in Thailand is less important compared to that of the top 5,000 firms as a whole. In 1997, there were a total of 1,056 foreign firms in Thailand. Of that total, 68 (6.4%) belonged to the category of PLCs. But their combined annual turnover was only 15% of the total of the 1,056 foreign firms. This is largely due to the fact that many leading foreign firms have been reluctant to list their subsidiaries on the local stock market. These firms include leading Japanese manufacturing firms (Toyota Motors, Mitsubishi Motors, Matsushita Industrial Electrical, Hitachi, Toshiba, Sony, Fujitsu, etc.); Japanese general trading companies (Mitsui, Mitsubishi, Marubeni, C. Itoh, etc.); and Western manufacturing firms (Philips, Unilever, Bayer, etc.). This fact should be kept in mind when we evaluate economic performance of listed companies with respect to differences in ownership pattern (see Section 5).

Table 4 shows the importance of listed companies among affiliated companies that belong to specific owner-family-controlled business groups (*zaibatsu*-type groups) or other types of Thai business groups owned by State enterprises and the Crown Property Bureau (the King, Siam Cement Group and Siam Commercial Bank Group). Looking at the table, we find that 113 out of 398 firms belonging to the top 40 business groups can be identified as listed companies, with their combined turnover accounting for 60% of total turnover in 1997. These tables suggest that it is impossible to adequately discuss corporate activity and corporate governance in Thailand without giving serious consideration to listed companies.

### *3.2. Development of the Thai Stock Market*

Listed companies have increased in importance as the stock market has developed since the end of the 1980s when Thailand enjoyed an unprecedented economic boom. From 1975, when the Securities Exchange of Thailand (renamed the Stock Exchange of Thailand or SET in 1992) was established, up till 1985, the stock market did not show any notable growth either in terms of the number of listed companies or the size of annual transaction of stocks. However, starting from the late 1980s, the Thai private stock market began to experience rapid growth as leading Thai business groups increasingly looked to it for fundraising and SET introduced a new act to promote the listing of companies (see Table 5 and Diagram 3).

Indeed, the number of listed companies almost doubled from 109 in 1987 to 214 in 1990, and increased further to 347 in 1993, with annual transactions jumping from B122 billion to B627 billion, and further to B2,201 billion during the same period. In line with this, the SET Index also increased from 285 in 1987 to 613 in 1990, reaching 1,683 in 1993 (Table 5). Market capitalization of the stock market amounted to B3,325 billion in 1993, which exceeded nominal gross domestic product (GDP) (B3,170 billion) in the same year. After 1993, when Thailand entered its “bubble economy” stage in the stock and property markets, annual transactions and the SET Index began to show a slight downward trend.

After July 1997, when the currency crisis rocked the Thai economy, the stock market collapsed. Annual transactions quickly dropped from B1,300 billion to B930 billion in 1997, while the SET Index suffered a rapid decline from 832 in 1996 to 373 in 1997, and further to 356 in 1998, a level that was only one fifth its highest recorded level of 1,754 in January 1994. The total value of market capitalization also quickly dropped from B3,565 billion in 1995 to B1,133 billion in 1997.

Facing this difficulty, the Government as well as SET launched stock market reforms, which were mainly designed to introduce stricter regulations for listed companies, in the name of good corporate governance (see Table 9 in Suehiro, 2001; pp. 69-70). The new SET regulations announced in January 1998 included the appointment of at least two independent directors and introduction of guidelines on best practices for directors; establishment of three new committees—an Audit Committee, Remuneration Committee and Nominating Committee for directors; introduction of new audit and accounting systems in line with global standards; and promotion of information disclosure on management and investment plans of local listed companies (submission of Form 56/1 Report to SET).

These policies exactly corresponded to the World Bank’s proposals aimed at improving corporate governance. SET described this new system as a “Disclosure-based Screening System,” which was mainly designed to filter “good” companies through new stock market guidelines (see Diagram 1 in Suehiro, 2001; p. 72). Accordingly, since 1998, all listed companies have been required to follow the new guidelines; failure to do so would result in delisting from the stock market.

An important question is whether these new SET guidelines actually brought about notable changes in the ownership pattern, corporate organization and economic performance of listed companies after 1998. I have already reviewed the impact of SET policy on the activities of leading family businesses and the movement of the stock

market in another paper (see Suehiro, 2001). I will, therefore, focus here on another aspect of listed companies' responses: that is, how they changed their ownership pattern between 1996 and 2000.

#### **4. Who Controls Thai Firms: 1996 and 2000?**

##### *4.1. Classification of Thai Listed Companies by the World Bank and Suehiro*

Section 2 has outlined how a group of World Bank economists (the CDL group) stressed the dominance of family-run businesses among Asian corporations before the crisis (World Bank, 1998a; pp.60-61; Claessens, Djankov and Lang, 1999). Accordingly, I also attempted to clarify the weight of family-run businesses among listed companies in Thailand by using the same methodology adopted by the World Bank researchers in their company survey. Tables 6A, 6B, 6C and 6D illustrate the classification of listed companies by type of controlling shareholder or ultimate owner, and provide a comparison of the percentage distribution of listed companies by ownership pattern, using 20% and 40% cutoff levels. The World Bank group classifies a listed company (including financial and nonfinancial firms) into five categories. Their methodology is as follows:

“We [Claessens et al.] divide corporations into widely-held and corporations with ultimate owners, with ultimate ownership defined at four cut-off levels: 10%, 20%, 30%, 40%. A widely-held corporation is a corporation which does not have any owners who have significant control rights. Ultimate owners are further divided into four categories: 1) families (which includes individuals who have large stakes), 2) the state, 3) widely-held financial institutions such as banks and insurance companies, and 4) widely-held corporations” (Claessens, Djankov and Lang, 1999; p. 8).

The World Bank group principally adopted the methodology of the La Porta group (La Porta et al., 1999) who conducted a comprehensive survey on the ownership pattern of leading firms worldwide. But they did not disclose the details of their methodology in identifying a corporation according to the above-mentioned classification. Nevertheless, I investigated the top three shareholders of each listed company on the basis of 1996 base year data (SET [ed.], *Thailand Listed Company 1997* (original one), Bangkok, 1997) and 2000 base year data (SET *CD-ROM of Listed Company Info 2000 [Q1-Q2]* [Thai version; no English version for shareholders list is available]). Identification of ultimate owners of each company is based on my own firm-level research conducted in Thailand covering around 2,000 firms (see Suehiro, 2000c).

It is not surprising that there are some differences in identification of ultimate owners between the World Bank's survey in 1998 and my survey in 2000. For instance, I identified a Company A (shareholder) as a specific fully family-owned corporation on the basis of my own information, while the World Bank study seems to define this company as an independent one (cf., IDE Co., Ltd. is one of the investment companies for the SPI Group controlled by the Chokwattana family, etc.). Likewise, I identify a Company B as a



specific owner-family–controlled corporation, while the World Bank group defines it as an independent company with no controlling shareholder.

In addition to these possible differences in identification, I classify a corporation as a widely-held financial institution when this company has at least two financial institutions (commercial banks, finance companies, insurance companies or mutual funds) among the top three shareholders, with each shareholder owning less than 20% of the total shareholdings. Further, I define a firm as foreign-owned, distinct from any other type of corporation, when foreign investors or foreign firms own 30% or more of its total shareholdings.

Table 6C reveals the common characteristics of dominance by family-run businesses in two surveys using 1996 as base year. The results presented in the table suggest that the share of family businesses, including semifamily businesses or quasi-family businesses, accounts for 48.2% of the total number of firms, significantly less than 61.6% found in the World Bank survey. Further, widely-held corporations (no controlling shareholder) show the widest divergence between the percentage distribution of the World Bank survey (6.6%) and the author's survey (20.8%). It may be noted that Yupana's survey (2000a), on the basis of 1996 company data, supports the author's findings rather than the World Bank's (Table 6D).

#### ***4.2. Changes in Ownership Pattern between 1996 and 2000***

Table 7 presents more detailed information on the percentage distribution of listed companies in Thailand in 1996 base year on the basis of our own research, while Table 8 provides the same information for base year 2000. In these two tables, we divide family-owned: FW corporations into two major groups (family-owned: FA and semifamily-owned) and further into six categories (f1, f2, f4 and f5, fw1 and fw2; f3, an owner-family financial firm, was integrated into f4 during data construction) (see Table 6A). Unlike the World Bank's survey, we also distinguish foreign-owned corporations from widely-held corporations (WC) in order to explore the significant role that foreign investment is playing among Thai listed companies. The same methodology was also adopted by Yupana's survey when she investigated economic performance of Thai listed companies (Yupana, 2000a; 2000b). In terms of the total picture (for financial and nonfinancial firms), family-owned businesses account for 33.5% at the 20% cutoff level, and the percentage increases to 48.2% if semifamily-owned type firms are included. If the survey is confined only to nonfinancial companies (357 out of 448 firms), these figures increase to 40.1% and 57.1% at the 20% cutoff level, respectively.

One question that needs to be raised here is how the economic crisis affected the ownership pattern of listed companies. To answer this question, we constructed a summary table, which shows the changes in the ownership pattern of firms by the type of "ultimate owners" between 1996 and 2000. According to the summary Table 9, surveyed firms, whose shareholders' lists are available, numbered 424 between 1996 and 2000. *Out of these 424, 110 firms or 26% were forced to change their ownership pattern during the crisis period.* This is an interesting finding since it can throw some light on the limitations of the corporate structures that existed before the crisis.

Analyzing the ownership pattern changes of these 110 firms, we discover that as many as 40 family-owned corporations changed their ownership structure into other types,

such as various widely-held groups, Thai corporations, foreign-owned, etc. On the other hand, 41 firms shifted their ownership from nonforeign-owned to foreign-owned. This movement has been spurred by the pressure of corporate debt restructuring schemes during the crisis, when local controlling shareholders were compelled to allocate newly-issued equity shares to existing foreign partners or to invite new foreign investors (cf., from the Bank of Ayudhya Group = the Rattanak family to Swiss Holder bank Company in the Siam City Cement PLC, etc.), or they were forced to transfer their equity shares to existing foreign partners (cf., from the Central Department Store Group = the Chirathiwat family to French Casino Group in the Big C Supercenter PLC; from the CP Group = the Chiarawanon family to Dutch Makro Group in the Siam Makro PLC; the cases of leading finance companies formerly owned by local commercial banks, etc.).

## **5. Ownership Pattern and Corporate Economic Performance**

### ***5.1. Data Sources and Financial Indicators Measuring Corporate Performance***

In this section, we will highlight the interrelationships between the ownership pattern of Thai listed companies and their corporate performance. To measure corporate performance, we chose four financial indicators: (1) liquidity or current ratio (current assets/current liabilities—desirable figure is about 2.0); (2) leverage or D/E ratio (desirable figure is about 1.0); (3) profitability or ROA; and (4) profitability or return on equity (ROE). We collected necessary data for each company from financial statements and balance sheets that are included in the SET (ed.), *CD-ROM Listed Company Info 1999 (Q1/Q2)* and *CD-ROM Listed Company Info 2000 (Q1/Q2)*, and constructed four-year time series data (1996 to 1999).

Only a few listed companies failed to submit their balance sheets to SET after the crisis. But even if listed companies submitted their balance sheets, there still was another problem of lack of financial data for a specific year or for a specific item (especially the D/E ratio and ROE). In order to overcome these data problems, we used the figures of companies whose data were available for at least three years between 1996 and 1999, together with those of companies whose data were available for all four years.

### ***5.2. Ultimate Owners, Family Businesses and Economic Performance***

Table 10 and Diagrams 4A, 4B and 4C illustrate economic performance of listed companies by the type of *ultimate owners* on the basis of 1996 base year (for the classification of ultimate owners, see Table 6A). Interestingly, the table tells us that family-type business (FA and FW) do not always demonstrate poor performance in comparison with other types of ultimate owners. It is evident that a group of foreign-owned firms (XB and XC) has achieved the best performance (actual figures and speed of recovery from the crisis) in every indicator between 1996 and 1999, while corporations with no ultimate owners (WV) and State-owned firms (S) have constantly performed the worst. Two groups of corporations held by financial institutions (WB) and corporations held by Thai corporations (WC) showed the second best performance behind the group of foreign-owned firms.

*These findings do not suggest that family-run businesses belong to the group of corporations with poor economic performance.* This is because family-run businesses sometimes show better performance in terms of current ratio, ROA and ROE, as was the case in 1997 and 1998. From the results in the table, we can tentatively conclude that foreign-owned firms among listed companies have achieved better performance and quicker recovery from the crisis compared to all other types of corporations. Yupana's survey also supports this finding.

### **5.3. REHABCOs and Type of Business**

This hypothesis may be confirmed if we examine economic performance of the group of REHABCO firms. A REHABCO is a rehabilitation corporation that is undergoing debt restructuring and has been ordered by SET to stop its transactions on the stock market. Therefore, we can consider REHABCO firms as corporations that might have made poor management decisions before the crisis. If so, we need to examine whether REHABCO firms are mainly owned and operated by owner-family members.

Table 11 rejects this hypothesis, because there is little correlation between the type of ultimate owners of REHABCO firms and their economic performance. Estimating the share of family-owned firms among REHABCO firms, we find that about 53.2% of the total belong to the former, which is only a little higher than for nonfinancial listed companies as a whole (48.7%). It is apparent that differences in the type of businesses rather than in ultimate owners have had a much greater effect on the performance of listed companies after the crisis. Indeed, the industrial base of REHABCO firms was concentrated in two fields—the building materials industry (nine out of 47 firms, or 19%) and property (13 firms, 28%)—that were most seriously hit by the crisis through their accumulated dollar-based external borrowings and the recession in the domestic economy.

### **5.4. Foreign Shareholdings and Economic Performance**

Table 10 shows that foreign-owned firms have achieved good performance before and after the crisis. Table 12 illustrates the comparison between firms by the difference in the percentage of foreign shareholdings in 1996 base year (0-9%, 10-29%, 30-49%, and 50% and above). At a glance, we can see that firms with foreign shareholdings of 30-49% put in the best performance, followed by firms with foreign shareholdings of 50% and above. In contrast to these two groups, firms with foreign shareholdings of 0-9% performed worst in every financial indicator.

This finding may be explained by two major factors. First, it may be supposed that foreign involvement as a controlling shareholder contributed to better corporate management during the crisis. In addition, it is also highly likely that the parent companies of foreign firms have helped in the recovery from the crisis by providing fresh money and accelerating debt-restructuring. Second, foreign-controlled firms are inclined to enter into more profitable sectors and industries.

### 5.5. *Changes in Ownership Pattern and the Effect on Economic Performance*

An interesting question that needs to be addressed here is whether a shift in ultimate ownership from a family-owned firm to another ownership structure has contributed to notable improvement in economic performance. As shown by Table 9, one fourth of listed companies in Thailand changed their ownership pattern during 1996 to 2000. If a firm that changed its ultimate owner from owner-family member to another type of shareholder improved its performance during this period, we can suppose that family businesses themselves affected corporate performance, if we neglect the possible impact of other explanatory variables such as the type of business, the size of firm and age of firm.

Table 13 and Diagram 6 are intended to address this issue. The table divides family-owned firms into three major groups: Type A—a firm that did not change its ownership pattern; Type B—a firm that changed its ultimate owner from owner-family to another type of shareholder (Thai corporation, corporation with no controlling shareholder, etc.); and Type C—a firm that changed its ultimate owner to a foreigner. As Tables 10 and 12 suggest, Type C (or a firm in which a foreigner becomes an ultimate owner by 2000) showed a distinct recovery in its performance. On the other hand, and contrary to traditional arguments, Type B did not achieve better performance compared to Type A.

Looking at our own research on listed companies, it is safe to say that the difference in ownership pattern as well as the presence of a family-run business have hardly affected corporate performance in terms of financial indicators, such as the D/E ratio, ROA and ROE. It is difficult to see any distinct interrelationship between family ownership of business and poor performance in terms of leverage and profitability. Further, contrary to the traditional argument in favor of the model of good corporate governance, *the group of corporations with no ultimate owners (WV) has always shown the worst business record among surveyed listed companies in Thailand.*

These findings, in turn, cast doubt on the second hypothesis that the presence of minority shareholders contributes to improvement of corporate governance of local firms. The World Bank studies and other traditional arguments have stressed this point by mainly focusing on the relationship between minority shareholdings of local firms and their market valuation. But they seem to have paid little attention to the relationship between minority shareholdings and economic performance as indicated by ROA and ROE. This question is examined in the next section.

## **6. Minority Shareholders and Corporate Economic Performance**

In Thailand, SET defines a minority (“minor” in SET) shareholder in the Public Limited Company Act 1992 as one that has less than 0.5% of the total shareholdings. After the economic crisis, SET ordered all listed companies to disclose and report the exact number of minority shareholders and their combined percentages against total shareholdings. Thanks to this new SET guideline, we can avail of the information on the weight of minority shareholdings of each listed company since 2000.

Table 14 divides all of the surveyed firms into seven categories in accordance with both the percentage of combined minority shareholdings and the involvement of foreign

shareholders: (Type D1) a firm with minority shareholdings of 50% and over; (D2) a firm with minority shareholdings of 30-49%; (D2f) a firm with minority shareholdings of 30-49% and foreign shareholdings of 20% and over; (D3) a firm with minority shareholdings of 20-29%; (D3f) a firm with minority shareholdings of 20-29% and foreign shareholdings of 20% and over; (D4) a firm with minority shareholdings of 10-19%; and (D5) a firm with minority shareholdings of 1-9%.

Paradoxically, the table and Diagram 7 demonstrate that the group of firms with minority shareholdings of less than 30% achieved better performance in three financial indicators than a group of firms with minority shareholdings of 30% and over. Also, the group of firms with minority shareholdings of 50% and over have a poor business record. In order to explain these results, we can put forward two arguments.

The first is that minority shareholders can be considered a key element of good corporate governance since they serve as monitors and supervisors for a listed company. In this case, the major cause of poor performance could be the lack of a legal framework or inadequate government policies to enhance their rights and promote their role in the general meeting of shareholders. The second argument seeks to identify the real role played by minority shareholders in local firms and family-owned firms, in particular, rather than deficient government policy. In Thailand and also many other Asian countries, minority shareholders are frequently invited from among the friends of owner-family members and provide controlling shareholders with a portion of the capital needed. Therefore, they have no intention of strictly supervising corporate activity. And there is no motivation for them to exert their rights against the interests of controlling shareholders.

Assuming the latter argument, it would be difficult to imagine that local small shareholders would serve as monitors and supervisors of listed companies even after the Government introduces new policies enhancing their rights. As with independent directors (SET published a "Guide Book for the Best Practices of Directors" in Thai and English in 1998), the Government is required to promote best practices for minority shareholders in the name of good corporate governance. At the same time, the combined percentages of minority shareholdings still account for merely 21.8% of the 314 surveyed firms in 2000 (26.6% in 43 finance companies and 18.7% in 271 nonfinance companies). In this sense, the role of minority shareholders should be considered to be limited under the given conditions of high ownership concentration.

Another possible approach is to invite a foreign investor as a minority shareholder. Indeed, SET decided to give tax incentives to foreign minority shareholders with no voting rights in August 2000 (interview with Dr. Prasarn Trairatworakun, Secretary-General of the Securities and Exchange Commission on 8 August 2000). By increasing the number of foreign minority investors, SET aimed to invigorate the stock market and improve corporate governance of local firms. Looking at Table 14 and Diagram 7, the group of firms with foreign direct involvement shows better performance than others. But the presence of minority shareholders alone is not enough to improve corporate performance.

## **7. Separation of Ownership and Control among Family Businesses**

### *7.1. Separation of Management from Ownership*

The third hypothesis that the World Bank and other scholars suggest is that family businesses tend to have poor management when ultimate owners control both ownership and management. Lack of separation between ownership and control means that there are neither independent directors nor minority shareholders to effectively monitor or supervise management. This lack of separation also means there will be an overlapping of the Board of Directors with Executive Committee members, while top management may be recruited from among owner-family members (including unqualified persons) rather than from professional groups. These elements combined together hinder the transparency of management for outside investors and inevitably lead to expropriation of minority interests. Therefore, appointing independent directors, establishing audit committees and enhancing shareholders' rights were key elements of corporate governance reforms initiated by the World Bank (see Table 15 for a summary).

This hypothesis implicitly presupposes that a family-owned firm with separation will demonstrate better performance than a family-owned firm with no separation. To explore this further, we constructed Tables 16A and 16B to compare the ownership/management separation of family-owned firms (FA and FW) and their economic performance.

In these two tables, we define a firm in which (1) a chairperson or vice-chairperson is independent from controlling shareholders (owner-family), and (2) a chief executive officer (CEO) or president is independent from the family-owners as Type A. If a chairperson/vice-chairperson or CEO/president overlaps with controlling shareholders, we define it as a family-owned firm with no separation or Type B. Semifamily-owned or Type C firms in the tables are those that have no controlling shareholder at the 20% cutoff level, but combined percentages of the two or three largest shareholders exceed 20%. If we cannot obtain necessary information on the Board members and executives, we define it as a family-owned firm with no available data or Type D. These two tables, and Diagrams 8A, 8B and 8C suggest some interesting conclusions.

First, roughly speaking, Type A or family-owned firms with separation have performed better than family-owned firms with no separation. But it is difficult to see a distinct difference in major financial indicators of the D/E ratio, ROA and ROE between Type A and Type B. On the basis of economic performance, not market valuation, it is safe to say that ownership/management separation does not always contribute to improved corporate activity.

Second, Type C or quasi-family-owned firms with no separation demonstrate the best performance among the four groups. This suggests that diversification of shareholdings by the owner-family into their related companies positively affects corporate performance.

Last and most important, Type D or family-owned firms with no available data have the worst business record in all financial indicators. Further, there is a wide gap in performance when we compare Type D to the three other types. Type D firms are likely to be those that have been reluctant to disclose detailed information on their management

and directorships, although they faithfully submit SET Form 56/1 reports in accordance with the new guidelines.

### *7.2. Separation of the Executive Committee from the Board of Directors*

Tables 17A, 17B and 17C illustrate another aspect of management structure of family-owned firms by focusing on the personal overlap of the Board members with the Executive Committee members, or the independence of the Board of Directors from the management team. These tables divide family-owned firms into three categories: a firm in which a chairperson of the Board is independent from the Executive Committee members (Type A); a firm in which a chairperson is also an Executive Committee member (Type B); and a firm with no available data (Type C).

Our research on family-owned firms by type of management separation also reveals that these three different groups of firms show a similar pattern of economic performance to the four groups of ownership/management separation. It is difficult to find a distinct difference between Type A and Type B. As was shown in Table 16, Type C or family-owned firms with no available data again put in the worst performance. However, in agribusiness, Type B (no separation type) achieved better performance than Type A (separation type) in all three major financial indicators—the D/E ratio, ROA and ROE—between 1996 and 1999.

Based on these results, the independence of chairpersons from controlling shareholders and executive members still is not significant enough to affect economic performance of family-owned firms. Indeed, among Thai listed firms, the post of chairperson is frequently considered an honorary role, meant to contribute to the company's reputation rather than an important position to effectively supervise controlling shareholders and management teams. Because of this, it is common that a specific person of high social status serves as chairperson for more than 10 corporations, as can be seen in the case of Sunthon Hongdaladarom (former Finance Minister) and Phao Sarasin (member of a distinguished Thai family and owner of the largest soft drink manufacturing firm, PepsiCo).

### *7.3. Type of Business and Ownership Pattern*

Last, we should examine the relation between the type of business and ownership pattern of listed companies. As we suggested in previous sections, the difference in economic performance is possibly connected with the type of business: whether it is from a crisis-hit industry, a profitable sector following the baht's devaluation or a growing industry in the eyes of foreign investors.

Table 18 compares profitability (ROA) of Thai listed firms by sector and industry with special reference to the type of ultimate owners (family-owned or foreign-owned). Contrary to expectations, it is impossible to discover any evidence that foreign-owned firms concentrate their business activities in more profitable sectors or industries compared to family-owned firms. This topic should be rigorously tested by using regression analysis on the basis of company-based data.

## 8. Restructuring Family Businesses

### 8.1. *Why Family Businesses Survive*

If our research results in sections 5 to 7 are acceptable, it immediately raises a new question: why did family businesses in Thailand develop before the crisis, and how did they survive the crisis? As I have already discussed in other papers (Suehiro, 1993; 1998), business groups built on the basis of family ownership have been a crucial agent both for economic growth and the upgrading of Thailand's industrial structure. After the Government accelerated liberalization of the financial sector and industrial investment towards the end of the 1980s, these business groups speedily responded to new policies and actively expanded their business bases from agro-industry and traditional export-oriented industries, such as textiles and garments, to new growing industries such as telecommunications, petrochemicals, steel and machinery, and modern retail business (Suehiro and Higashi [eds.], 2000). It is true that they also invested a huge amount into property and this, in turn, led to the "bubble economy" in Thailand. But they also served as important agents for a rapid upgrading of Thailand's industrial structure during the 1990s.

In the wake of the currency crisis in Thailand, around half of the 40 leading groups are now facing a critical situation. It is reported that one third of them have already applied to the bankruptcy court or asked the Government for help under the new Business Rehabilitation Act, in order to resolve their default problems (Suehiro and Higashi [eds.], 2001; pp. 81-85). Nevertheless, there are still leading business groups that have undertaken extensive corporate restructuring. They promoted the downsizing of their expanded business bases, concentrated their managerial resources in two or three core businesses, and have started tough negotiations with foreign creditors.

Owing to these individual reforms, they seem to be recovering from the crisis. In other words, we see *a trend towards bipolarization between bankrupt firms and survivors*. We can see a similar trend among leading business groups in Mexico under the external pressure of economic globalization and liberalization (Hoshino, 2001). Looking at economic performance in Table 10, it would be difficult to say that family-owned listed companies failed to rapidly recover their business performance after the crisis. If so, how can we explain this?

### 8.2. *Human Resources among Family Businesses*

There are four major elements to explain the quick growth of local business groups on the basis of family ownership during the past few decades:

- (1) high potentiality of human resources among family businesses;
- (2) continuous management reforms in terms of ownership structure, and organizational and management style;
- (3) speedy and flexible responses to changing government policies that give incentives to promoted industries or undertake liberalization in the financial sector and industrial investment; and



(4) strategic alliances with foreign capital by means of joint-ventures, which enable local firms to advance into growing industries such as telecommunications, petrochemical and modern retail business.

Table 19 compares the age distribution of top executives (chairpersons, vice-chairpersons and Board directors, and members of the audit committee, CEOs and presidents of listed companies) and their educational attainment in both Japan and Thailand. Table 20 lists countries where Thailand's top executives obtained their highest educational degrees. Such qualifications do not exactly reflect the quality of top executives among family-run business, but we can see overall human resources characteristics.

First, top executives in Thailand are by far younger than those in Japan. In Thailand, those aged 50 years old and below account for about 57% of the total number (2% in Japan), while the group aged 61 years old and above form merely 16% (65% in Japan). There is no doubt that long tenures and accumulated experience help in developing managerial skills in Japan (see Inagami [ed.], 2000). Nevertheless, a younger generation will be able to obtain new information on markets, adopt new technology in production and adjust themselves more speedily to a changing international environment.

Second, these two tables show that top executives in Thailand have attained a higher educational level than those in Japan. The group with bachelors degrees accounts for 40%. More interestingly, there is a group with masters degrees/MBAs and doctoral degrees accounting for 48%, by far larger than the 3% in Japan. In addition to this higher educational attainment, 54% of the total surveyed executives (3,890 persons) in Thailand were also educated abroad, and 35% were educated in the United States. In Japan, it is reported that few (less than 2%) obtained their degree abroad. This fact suggests that top executives in Thailand have the potential to adapt to US management styles and accounting systems, as well as communicate well with foreign investors and clients in English.

It is, thus, not surprising that listed companies in Thailand and even family-run businesses show great potential in terms of human resources. In fact, owner-families of leading business groups in Thailand, since World War II, have tended to send their children to the United States, Australia and Japan for higher education and qualifications (MBAs, etc.). After returning to Thailand, they have often temporarily worked at foreign or local big firms as apprentices, and then moved to family-run firms as top executives or middle management. As a result, new generations have frequently become key persons in the modernization and improvement of the corporate activities of family-owned firms (see Suehiro, 1993). In the initial stage of industrialization of developing countries such as Thailand, a family-owned firm can easily find able persons among its own family members and it does not need to recruit from outside.

### ***8.3. Continuous Reforms and Alliances with Foreign Partners***

High human resources potential among family members alone does not fully explain the rapid growth of local business groups. Therefore, we must seek other factors that have enabled business groups to constantly expand and extend their business activities. These include continuous management reforms, speedy responses to government policies and alliances with foreign corporations. Among these, management reform is the most important factor.

Contrary to traditional arguments concerning family-run business, leading Thai business groups have always undertaken innovative reforms in the fields of raising investment funds, reforming management structure and developing human resources. Table 21 takes the Charoen Pokphand (CP) Group owned by the Chiarawanon family as an example. The table shows that the CP Group has continuously undertaken various attempts to improve its business activities. Such moves have included shifting its business base from trading to manufacturing; diversifying into growing industries (the late 1980s); introducing new management styles such as the American divisional department system (1985); establishing a holding company-cum-headquarters to centralize its decision-making process (1990); listing affiliated companies on the stock market to attract fresh money (since 1987); employing professionals in finance, technology and investment planning (1957-1963 and 1979-1981); and developing intensive human resources development programs (CP, Personal Information System, since 1995).

Thanks to these reforms, the CP Group has enjoyed rapid growth over the past three decades, becoming the third largest business group in Thailand, following the Siam Cement Group and the Bangkok Bank Group (see Suehiro, 1998; do., 2000d, Chapter 9). These two leading groups have developed in a similar way to the CP Group, introducing innovative reforms into their management (see Suehiro and Nambara, 1991).

What distinguishes Thai business groups from the *zaibatsu*-type groups of prewar Japan is their strategic alliances with foreign corporations. When advancing into new businesses or industries, local business groups with no information, production technology or marketing know-how have frequently utilized foreign partners' managerial resources through the joint-venture system. In this way, they could maximize the economic backwardness advantage of latecomers and could accelerate their business expansion. Unless we take these aspects into consideration, we cannot adequately evaluate the real picture of local business groups.

#### **8.4. Traditional Family Businesses: Authoritarian Type**

Not all local business groups have undertaken continuous reforms in response to the new economic environment. Many family-run businesses apparently have encountered financial difficulties after the economic crisis. In order to explain why some groups could survive while other groups went bankrupt, it is necessary to divide family-run businesses into two different types: innovative or modern type group, and authoritarian type.

Thai Petrochemical Industry (TPI) Group owned by the Leaophairat family offers an instructive case of an authoritarian type family-run business. The grandfather of the founders of the TPI Group, a *teochew* overseas Chinese, started a rice milling business in central Thailand before World War II. After the War, his son, Phorn Leaophairat, migrated to Bangkok and established a traditional trading house—Hang Hong Yiah Seng (Thanapornchai Co., Ltd., in Thai)—to export rice and import textile goods. He successfully expanded his business and the Hong Yiah Seng became one of the five largest rice exporters (*ha-sua* or five big tigers) in Thailand by the 1960s.

Phorn's sons, or the third generation of the Leaophairat family, were educated in the United States and obtained bachelors degrees in business administration and chemical engineering. After returning to Thailand, three sons—Prachai, Prathip and Pramuwan—

jointly set up a new ambitious petrochemical firm, Thai Petrochemical Industry Co., Ltd. (TPI), in 1978 (listed in 1995). This was fully supported by government policy promoting heavy industries by utilizing natural gas produced in the Gulf of Siam. When the Government announced liberalization of industrial investment in the cement industry, they also expanded their industrial base to this field by establishing TPI Polene Co., Ltd., in 1987 (listed in 1990). TPI soon became the second largest firm in the petrochemical industry, while TPI Polene grew into the second largest local firm before the crisis. TPI Group (not including the Hong Yiah Seng Group's companies and other family-owned firms such as Union Bangkok Insurance Co., Ltd.) consisted of as many as 44 firms between 1978 and 1996 (TPI [ed.], 1996; Thanawat, 2000; pp. 326-332).

Such quick expansion was financially backed by large loans from domestic commercial banks (especially Bangkok Bank PLC and Krungthai Bank PLC) and foreign financial institutions (IFC, etc.). As a result, dollar-based external debt totaled \$3.2 billion (B100.85 billion), so in the wake of the crisis, foreign exchange losses in December 1997 amounted to B14.46 billion (*Krungthep Thurakit* newspaper, 12 December 1997). Immediately after the crisis, TPI suspended construction of new petrochemical and cement plants and started negotiations for debt restructuring with 400 creditors in December 1998. Getting bogged down in conflicts with creditors, Prachai and his brothers would not yield control rights over TPI and finally decided to apply to the bankruptcy court in January 2000. TPI Polene Co., Ltd., followed suit in June (see Phu Chatkan Rai-duan, 2000b; Suehiro and Higashi [eds.], 2001, Chapter 2).

Why did TPI Group collapse after the crisis? Why could it not effectively supervise increasing external debt? Table 22 illustrates the case of TPI and its affiliated companies by focusing on their ownership structure (pyramid structure) and management structure. At a glance, we find that the three brothers—Prachai, Prathip and Pramuwan—exclusively controlled all affiliated companies as chairmen, vice-chairmen, directors-cum-executives, CEOs and presidents. The Board members of almost all of the companies under TPI's control overlapped with Executive Committee members of each company.

In the case of TPI PLC itself, the 20 Board members included two independent directors, following exactly SET's guideline, while Sunthon Hondaladrom (Finance Minister in 1959-1963 and 1963-1965) was invited to be its chairman. But when Prachai became CEO and vice-chairman and his two younger brothers also were appointed president and directors in 1988, TPI was put under the complete control of owner-family members. Independent directors or foreign advisors could not wield any power against the three brothers. Also, TPI did not disclose detailed information on its debt composition and investment plans. Thus, this type of family business may be designated as *an authoritarian-type group* under the control of a single person or a few owner-family members.

Carefully investigating collapsed business groups by focusing on their management structure, we can easily find similar patterns to TPI. These include Alphatec Group (semiconductor industry) led by Charn Assawachok (applied to the bankruptcy court in May 1998); the One Holding Group (finance) led by Pin Chakkapak (May 2000); the Bangkok Metropolitan Bank Group (a financial conglomerate) led by Udane Taechaphaibun (the Government took over in January 1998); the NTS Group (steel industry) led by Sawat Horunruang (September 2000); the Sino-Thai Group (construction

and engineering) led by Anuthin Chanwirakun (December 1999); the UCOM Group (telecommunications industry) led by Bunchai Bencharongkun; the Thanayong Group (property business) led by Khiri Kanchanapak; the TBI Group (textiles) led by Sukree Phothisrattanakun (May 2000), etc.

#### *8.5. Modern Family Businesses: Innovative Type*

In contrast to authoritarian type groups, several local groups, such as Siam Cement Group (owned by the Crown Property Bureau, not a family business), CP Group, the Thai Farmers Bank Group, the Bank of Ayudhya Group, the SPI Group, and the Central Department Store Group, launched reforms to downsize their widely diversified business activities, accelerated reduction of external debt, shifted their fundraising sources from bank borrowings to new issues of corporate bonds, and promoted alliances with new foreign partners (see Phu Chatkan Rai-duan, 2000a). The development of CP Group serves as a typical example.

Immediately after the currency crisis, CP Group undertook drastic corporate restructuring and downsized its business by concentrating resources in two core fields: agro-industry and telecommunications. In the process, it transferred profitable sectors of its retail business to foreign partners and then deinvested from the petrochemical industry (see Phu Chatkan Rai-duan, 2000c).

The CP Group also streamlined all agro-industry-related firms (shrimp culture and processing, feed milling, and processing of broiler-chickens and swine) and reorganized them into Charoen Pokphand Foods PLC (CPF) in December 1998 (see Diagram 9; CPF Annual Report, 1999 [in Thai]; do., A Form 56/1 Report, 1999 [in Thai]). Through this reorganization, CPF became a holding company to supervise its operations in the agro-industry sector and the core firm to attract foreign investors. Owing to this corporate restructuring, CPF successfully attracted foreign investors, who took about 39% of total shareholdings, and quickly improved its financial indicators (D/E ratio, net profit margin, ROA, etc.) as Table 23 shows. CPF also is active in promoting information disclosure and decided to increase its Board members from 10 persons in 1996 to 16 in February 1999 by including two new independent directors, Asa Sarasin and Prof. Atthasit Wechachiwa (see Table 24).

Nevertheless, the Chiarawanon family, ultimate owner of the CP Group as a whole, continued to keep control over ownership and management of CPF. Also, 13 out of 16 directors of the Board came from owner-family members (four persons) or long-time employed staff in the CP Group (nine persons) (see Table 24). The Charoen Pokphand Group Company, which is a nonlisted holding company, also holds 31.4% of the total shareholdings of CPF. Therefore, even innovative-type family business such as CP Group have not easily given up control of listed companies after the crisis (see Diagram 10).

A more modern type of family business ownership pattern may be found in the telecommunications field, in SHIN (formerly Shinawatra) Group. The SHIN Corporation PLC, a computer service and holding company of SHIN Group, was owned by the Shinawatra family (54%) and foreign institutional investors (30%) in 2000 (see Tables 25A and 25B). The SHIN Corporation serves as the largest shareholder of the three major group companies of the Advanced Info Service PLC (cellular), the SHIN Satellite PLC

(satellite television service) and Shinawatra Infomedia Technology PLC. All of these are listed on the local stock market (see Diagram 11).

The Shinawatra family does not directly involve itself in these firms, and has entrusted management to professionals recruited from the Communication Authority of Thailand (CAT), Telephone Organization of Thailand (TOT), IBM Thailand Co., Ltd., and other companies of high reputation. The SHIN Group seems to have achieved complete separation between ownership and management, and serves as an example of a modernized business group among the local telecommunications industry (Phairo, 1999; Suehiro and Higashi [eds.], 2001; pp.18-20). By contrast, authoritarian-type groups such as UCOM and Samart are going to be expelled from the market as the telecommunications market is liberalized and in the face of fierce competition with foreign companies.

## **9. Suggestions for Further Study**

Based on our research of Thai listed companies, which has focused on their economic performance, we can summarize our findings as follows.

- (1) Family-owned businesses in terms of ultimate owners do not always result in poor performance.
- (2) Corporations that are widely-held by various groups and have no controlling shareholdings have performed the worst, together with State-owned firms.
- (3) Foreign involvement seems to contribute to better economic performance among Thai listed companies. When listed companies increase their foreign shareholdings, their economic performance tends to improve.
- (4) The presence of minority shareholders does not directly affect economic performance. Especially when their total shareholdings in a listed company exceed 30%, it tends to produce poor performance.
- (5) Separation of the Board Chairperson from controlling shareholders and from the Executive Committee members does not always result in good economic performance, although ownership/control separation might improve corporate governance in terms of market valuation.
- (6) Family-owned firms that have been reluctant to disclose detailed information on their management, without exception, have the worst business record, even when compared to family-owned firms with no separation between ownership and control.

Arising out of our findings are two useful hypotheses concerning family-run business and corporate reforms in Thailand. The first is that family businesses in themselves were not a major cause of the financial crisis and have not hindered recovery. Taking into account the significant role that family businesses have played in Thailand's nonfinancial sector, it would be better and more rational to introduce ways of revitalizing existing family businesses to support sustainable growth rather than directly adapt the

Western model of good corporate governance to local firms. However, there are limitations to family businesses, as the case of TPI Group apparently evidenced during the crisis.

This leads to the second hypothesis, which is that family businesses are not automatically stable entities unless they work to adjust themselves to the changing environment. They now face the need for fundamental corporate restructuring under pressure of economic liberalization and industrial upgrading in Thailand. In this context, Larry Lang's argument is highly suggestive to our hypotheses.

“The East Asian miracle: the post-war surge of growth which occurred despite the absence of the Western institutions of the rule of law and democracy. This was possible because East Asia had substitutes: business networks based on family and long-term associates that permitted complex transactions without a law of contract; and autocratic governments and effective civil services committed to improving national welfare. Problems arose only when growth proceeded to the point where companies had to seek outside sources of finance to continue their growth” (Lang, 2001; p.11).

“The point” in his argument can be interpreted as the minimum size of necessary investment and the corporate structure that will support increasing investment. Up to the economic boom, most Thai business groups had managed to control their business activity by depending on internal economic resources among the owner-family. However, after extending their business into more capital-intensive and/or technology-intensive industries, they had to seek outside sources of corporate finance such as stock market and overseas project-based syndicate loans, together with borrowings from commercial banks. This shift inevitably requires local firms to reorganize their corporate structure and management style. In short, innovation is the key element for Thai business groups to continue their growth. In addition to upgrading the business base, economic liberalization policy also makes it difficult for local firms to maintain the traditional form of family business when collaborating with foreign partners. This is because foreign investors turned into competitors rather than good partners for local firms after the liberalization and this trend will be enhanced in the future. Competitiveness, thus, has become another key element for Thai business groups.

So how can we integrate the two contradictory elements of the dominance of family business and the need for corporate reforms in order to revitalize local firms? The possible answer may be the introduction of a two-step approach to corporate restructuring. That is, place first priority on the promotion of internal control by Thai business groups themselves, and then gradually introduce legal and institutional frameworks in line with global standards to regulate local firms' activities. With the local stock market not so attractive to foreign investors and bank borrowings still of great importance to local firms, it would seem to be less beneficial for Thai companies to adapt directly the Western concept of good corporate governance without giving careful consideration to the sequence of necessary policies as well as their adaptability.

If such a two-step approach is acceptable, further study is needed in the following four fields.

- (1) Explore the relationships between local commercial banks and family business. As bank loans still play such an important role in fundraising for local firms, we must investigate more deeply local commercial banks' supervision of debtors and seek ways to improve banks' monitoring role in corporate finance. Before attacking the weaknesses of the local financial sector, we need to study more the activities of local commercial banks in accordance with the differences in ownership pattern (State-owned or family-owned) and corporate type (financial conglomerate or independent commercial bank).
- (2) Conduct more detailed studies of the role of nonlisted companies in relation to the pyramid structure of family-run business. As the CP Group typically showed, owner-families frequently exert control over publicly traded companies through their private holding companies and family-owned investment companies. These companies, without exception, belong to nonlisted companies that are beyond the reach of postcrisis SET-led corporate reforms. If we hope to discuss the widening gap between control rights and cash-flow rights among local listed firms, it is necessary to attempt to grasp the whole structure of Thai business groups, including nonlisted companies.
- (3) Conduct field research not only on ownership patterns of family businesses but also on their management structure. It is surprising that there is no reliable information on the frequency of general meetings of shareholders and the Board of Directors among listed companies. Further, there is no field research on interrelationships between controlling shareholders (owner-family), the Board of Directors and the Executive Committee. On the other hand, internal control by family businesses through managerial reforms seems to be becoming more and more important. If so, our study of corporate governance should be extended from the traditional question of who controls Thai (or Asian) firms to the new question of who manages Thai (or Asian) firms. Combining the study of ownership patterns with that of management structure, we can formulate policies to revitalize local firms.
- (4) Construct a method to evaluate the competitiveness of local firms according to their contribution to the national economy in addition to market valuation and economic performance in financial statements (see Woo, Sachs and Schwab [eds.], 2000). International organizations are inclined to divide listed companies into only two types: financial sector and nonfinancial sector. Therefore, they seem to neglect the significant role of the industrial sector in supporting national economic growth. But as long as increases in manufactured exports are still so essential to economic recovery in Asian countries, it is important to evaluate and improve the industrial competitiveness of each company in terms of export performance, technology formation, and research and development. Reforms on the narrow basis of corporate governance alone are not enough to overcome national economic crises or to reactivate export-oriented industries (see Suehiro, 2000a). In this sense, competitiveness should be included when we argue for corporate governance of local firms.

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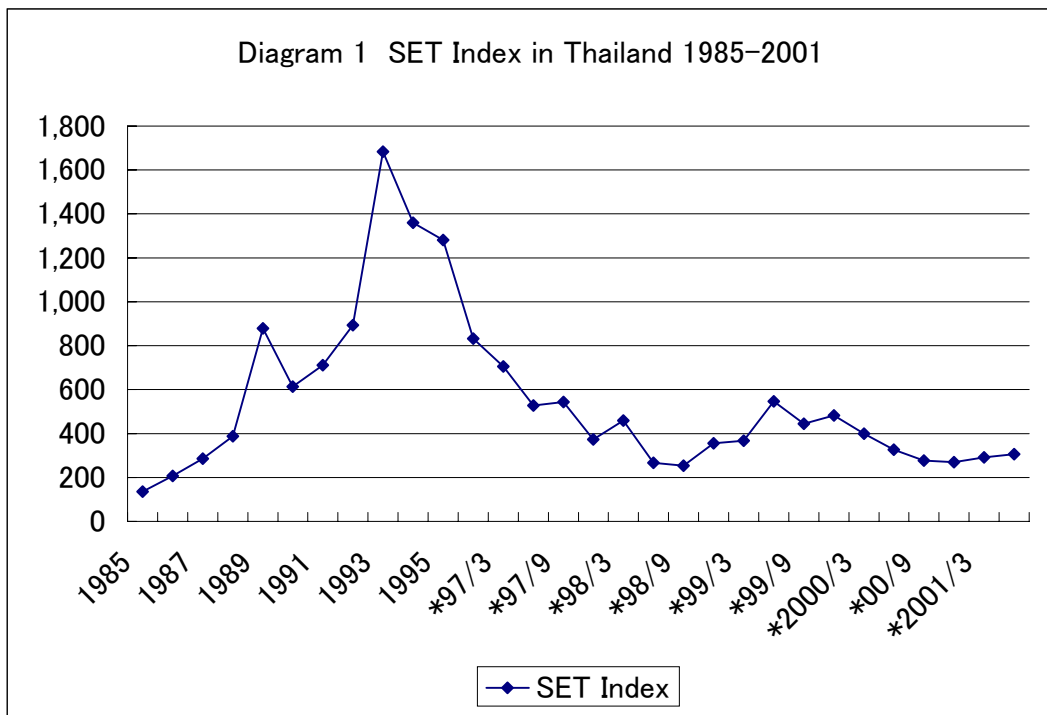
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**Diagram 1 SET Index in Thailand (1985-2001)**



Sources: (1) The Stock Exchange of Thailand, Fact Book, various years, 1985-2000.  
(2) The Stock Exchange of Thailand, Monthly Review, 1998-March 2001.

**Table 1 Leverage for Eight Asian Economies, Japan, Germany and US: 1988-1996**  
(%)

Economy	1988	1990	1992	1994	1996	1988-1996 Av.
Korea, Rep. Of	2.82	3.11	3.37	3.53	3.55	3.47
Hong Kong, China	1.83	1.78	1.84	2.27	1.56	1.90
Taipei,China	.....	.....	0.88	0.89	0.80	0.82
Philippines	.....	.....	1.19	1.15	1.29	1.13
Thailand	1.60	2.16	1.84	2.13	2.36	2.01
Malaysia	0.73	1.01	0.63	0.99	1.18	0.91
Singapore	0.77	0.94	0.86	0.86	1.05	0.94
Indonesia	.....	.....	2.10	1.66	1.88	1.95
Japan	2.99	2.87	2.04	2.19	2.37	2.30
United States	0.80	0.90	1.06	1.07	1.13	1.03
Germany	1.54	1.58	1.51	1.51	1.47	1.51

Source: Claessens, Stijn, Simeon Djankov and Larry H. Lang, "East Asian Corporates: Growth, Financing and Risks over the Last Decades," World Bank Policy Research Working Paper No. 2017, Washington, DC, October 1998, p.9.  
Note: Leverage means the ratio of debt to self-equity.

**Table 2 Control of Listed Companies in Asia and Europe (1997/98): \*20% cutoff (%)**

Economy	Number	Widely Held Various	Family-Owned	State-Owned	Widely-Held Financial	Widely-Held Corporations
Korea, Rep. Of	345	43.2	48.4	1.6	0.7	6.1
Hong Kong, China	330	7.0	66.7	1.4	5.2	19.8
Taipei,China	141	26.2	48.2	2.8	5.3	17.4
Philippines	120	19.2	44.6	2.1	7.5	26.7
Thailand	167	6.6	61.6	8.0	8.6	15.3
Malaysia	238	10.3	67.2	13.4	2.3	6.7
Singapore	221	5.4	55.4	23.5	4.1	11.5
Indonesia	178	5.1	71.5	8.2	2.0	13.2
Japan	1,240	79.8	9.7	0.8	6.5	3.2
France	607	14.0	64.8	5.1	11.4	3.8
Germany	704	10.4	64.6	6.3	8.3	3.7
Italy	208	13.0	59.6	10.3	12.3	2.9
Spain	632	26.4	55.8	4.1	11.5	1.6
United Kingdom	1,589	68.1	19.9	0.1	9.8	1.0

Sources: (1) Asia: Claessens, Stijn, Simeon Djankov, and Larry H. Lang, "Who Controls East Asian Corporations?" World Bank Policy Research Working Paper No. 2054, Washington, DC, February 1999, p.30.  
(2) Europe: Faccio, M. and Larry Lang, "Separation of Ownership and Control: An Analysis of Ultimate Ownership in France, Germany, Italy, Spain and UK," Working Paper, Chinese University of Hong Kong, 1999.

**Table 3A Distribution of 5,000 Firms in Thailand in Terms of Number, Classified by Type of Corporation and Nationality: 1997**

Type of Corporate	(Number of Firms, %)					
	Total	%	Thai	%	Foreign	%
Public Limited Company	475	9.5	407	10.3	68	6.4
Private Limited Company	3,771	75.4	3,100	78.6	671	63.5
Limited Partnership	726	14.5	423	10.7	303	28.7
Registered Ordinary Partnership	15	0.3	14	0.4	1	0.1
Branch, Local Liaison Office	13	0.3	0	0.0	13	1.2
Total	5,000	100.0	3,944	100.0	1,056	100.0

**Table 3B Distribution of 5,000 Firms in Thailand in Terms of Annual Turnover, Classified by the Type of Corporation and Nationality: 1997**

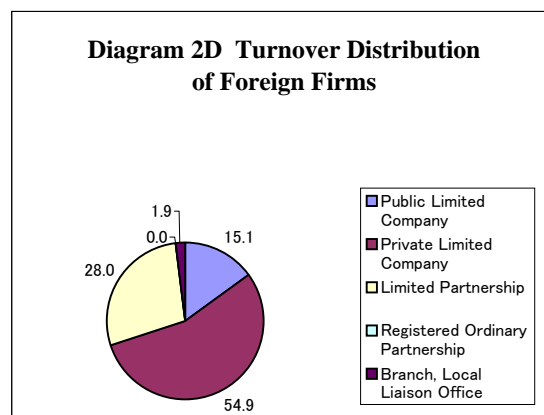
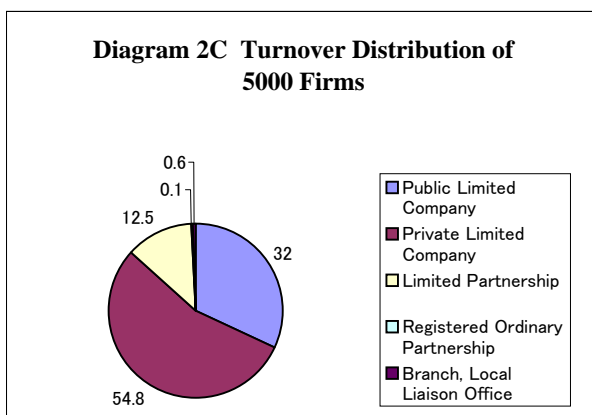
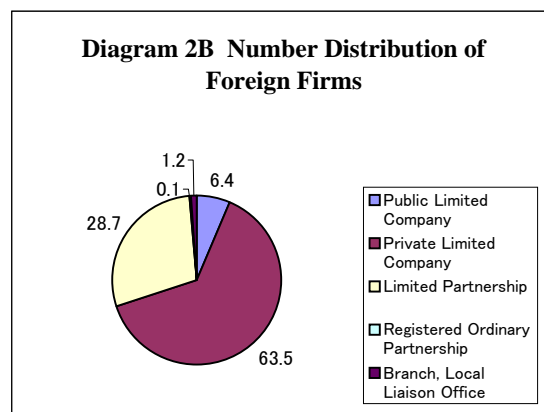
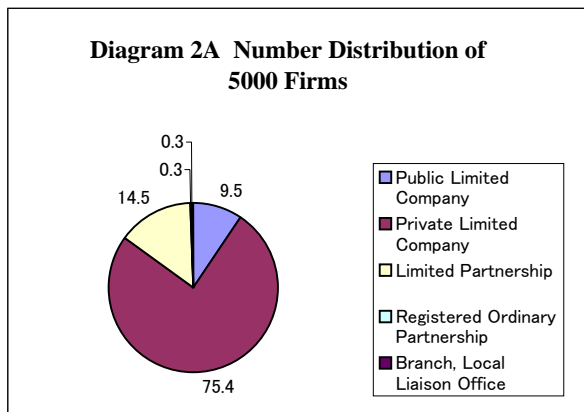
Type of Corporate	(Million Baht, %)					
	Total	%	Thai	%	Foreign	%
Public Limited Company	2,347,186	32.0	2,016,468	39.2	330,718	15.1
Private Limited Company	4,021,034	54.8	2,820,908	54.8	1,200,126	54.9
Limited Partnership	919,360	12.5	306,753	6.0	612,607	28.0
Registered Ordinary Partnership	5,366	0.1	5,123	0.1	243	0.0
Branch, Local Liaison Office	40,428	0.6	0	0.0	40,428	1.9
Total	7,333,374	100.0	5,149,252	100.0	2,184,122	100.0

Sources: Computed from:

(1) Dun & Bradstreet (Singapore) Pte. Ltd., and Business On-line eds., Top 5,000 Companies in Thailand 1999/2000 Edition, Bangkok, October 1999.

(2) Suehiro's company database of Thailand 1979-1999.

Note: Foreign-controlled firm means a corporation in which foreign investors hold shareholdings of 30% and over. Survey by Suehiro on the basis of his own database.



**Table 4 Top 40 Thai Business Groups and Listed Companies: Survey in 1997**

(Units: Number, Million Baht, %)

	Name of Group	Type	Group Companies B		Listed Companies A		A/B %
			Nos.	Turnover	Nos.	Turnover	
1	Siam Cement Group	B	43	193,779	4	76,210	39.3
2	Bangkok Bank Group	A	14	179,795	7	170,980	95.1
3	CP Group	A	28	174,103	7	96,175	55.2
4	TCC Group	A	36	137,135	2	38,351	28.0
5	Krungthai Bank Group	C	5	133,385	4	132,762	99.5
6	Thai Farmers/Loxley	A	16	132,881	10	119,520	89.9
7	Siam Commercial/CPB	B	15	126,214	6	113,479	89.9
8	PTT Group	C	5	109,883	3	27,355	24.9
9	Boon Rawd Brewery	A	7	101,148	1	1,470	1.5
10	Thai Airways	C	2	88,337	2	88,337	100.0
11	Ayutthaya Group	A	10	86,706	5	78,048	90.0
12	TPI/Hong Yiah Seng	A	10	60,943	3	44,976	73.8
13	Siam Group	A	20	56,330	0	-	-
14	Thai Military Bank	C	4	52,175	2	50,693	97.2
15	Central Department	A	9	42,992	3	23,318	54.2
16	Saha Group	A	21	38,343	14	32,547	84.9
17	Italthai Group	A	8	36,373	2	24,648	67.8
18	Metro Group	A	12	35,683	4	19,720	55.3
19	MMC Sittipol	A	3	33,970	1	2,146	6.3
20	Soon Hua Seng Group	A	4	30,795	1	6,465	21.0
21	Srifuengfung Group	A	12	30,775	3	11,969	38.9
22	BMB Group	A	5	30,587	1	26,371	86.2
23	Saha-Union Group	A	11	28,208	5	18,667	66.2
24	Osoth/Premier Group	A	13	26,130	3	7,277	27.8
25	Sahaviriya Group	A	17	25,939	3	13,568	52.3
26	Shinawatra (SHIN)	A	9	25,853	4	19,719	76.3
27	Thonburi Phanich	A	3	25,669	0	-	-
28	UCOM Group	A	2	24,186	1	23,897	98.8
29	Asia/TPC Group	A	2	18,118	1	17,449	96.3
30	Thai Union (TUF)	A	4	16,910	2	9,093	53.8
31	Land and House	A	5	16,107	5	16,107	100.0
32	Siam Steel Pipe (SPP)	A	8	15,551	2	4,401	28.3
33	Thai Summit	A	9	15,509	0	-	-
34	Betagro Group	A	8	15,454	0	-	-
35	Mitr Phol Group	A	3	14,864	1	8,310	55.9
36	Sarasin	A	1	12,399	0	-	-
37	The Mall Group	A	1	11,890	0	-	-
38	Wanglee/Poon phol	A	3	11,212	1	8,936	79.7
39	Laemthong Group	A	7	10,619	0	-	-
40	Capital Rice/STC	A	3	8,439	0	-	-
	A Single/Multiple Family	34	324	1,531,616	92	844,128	55.1
	B Crown Property Bureau	2	58	319,993	10	189,689	59.3
	C State Enterprises	4	16	383,780	11	299,147	77.9
	Grand Total	40	398	2,235,389	113	1,332,964	59.6

Source: Akira Suehiro, Data and Analysis of Large-Sized Firms in Thailand: State Enterprises, Multinational Firms and Zaibatsu Groups, Institute of Social Science, University of Tokyo, March 2000, Table 4-6.

Note: Figures of the number of firms and their total turnover of each group came from Suehiro's survey.



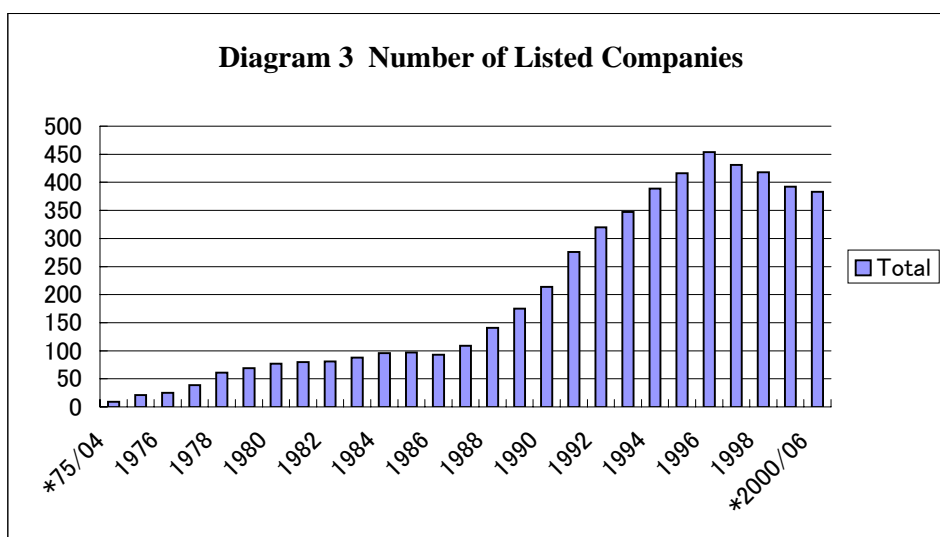
**Table 5 Development of the Thai Stock Exchange: Annual Transactions, Number of Listed Companies, SET Index in Thailand (1975-2000)**

(Units: Number, Million Baht, Index)

Year	Total	New Quoted	Delisted	Annual Transaction	Market Capitalization	SET Index
*75/04	9					
1975	21	12		559	5,394	84
1976	25	4		993	7,260	83
1977	39	14		26,282	19,232	182
1978	61	22		57,065	33,088	258
1979	69	8		22,450	28,384	149
1980	77	8		6,549	25,522	125
1981	80	3		2,521	23,471	107
1982	81	1		5,878	29,439	124
1983	88	7		9,120	34,794	134
1984	96	8		10,595	47,432	142
1985	97	1		15,334	49,457	135
1986	93	0	4	24,993	75,200	207
1987	109	16	0	122,138	138,155	285
1988	141	32	0	156,457	223,650	387
1989	175	34	0	377,028	659,493	879
1990	214	39	0	627,233	613,515	613
1991	276	62	0	793,068	897,182	711
1992	320	44	0	1,860,070	1,485,020	893
1993	347	55	1	2,201,148	3,325,390	1,683
1994	389	43	1	2,113,861	3,300,760	1,360
1995	416	28	1	1,534,959	3,564,570	1,281
1996	454	40	2	1,303,144	2,559,580	832
1997	431	5	28	929,600	1,133,340	373
1998	418	1	14	855,170	1,268,200	356
1999	392	0	26	1,609,790	2,193,070	482
*2000/06	383					

Sources: (1) The Stock Exchange of Thailand, Fact Book, various years, 1985-2000.

(2) The Stock Exchange of Thailand, Monthly Review, Vol. 25, No. 9, January 2000, p.52; do., July 2000.



**Table 6 Classification of Ultimate Owners of Listed Companies in Thailand**

**Table 6A Suehiro's classification by employing the 20% Cutoff Level**

- FA Family-owned company**  
 f1 held by a single person belonging to the owner-family with 20% and above  
 f2 held by an owner-family fully controlled investment company  
 f4 held by a corporation under the control of the owner family  
 f5 held by an owner family but another two shareholders belong to different families
- FW Semifamily-owned company**  
 fw1 held by a single family when the top shareholder holds less than 20% but combined shareholdings (individual, investment or group company) of the top three exceed 20% line  
 fw2 held by multiple family when the top shareholder holds less than 20% but combined shareholdings of the top three exceed 20% line
- W Thai Corporation**  
 wb1 held by owner-family controlled commercial bank or financing company  
 wb held by commercial bank or financing company  
 wc held by Thai corporation with 20% and above  
 wv held by shareholders (corporations or family member) who do not have significant controlling rights
- X Foreign Corporation**  
 xb held by a foreign financial institution  
 xc held by a foreign corporation
- S held by the State or a State enterprise**

**Table 6B World Bank (Claessens et al. ) Classification**

Comparison of Classification Between the World Bank and Suehiro at the 20% Cutoff Level

World Bank Classification	Suehiro Classification
1 Families	f1, f5, fw1, fw2
2 State	s
3 Widely-held financial institutions	wb1, wb, xb,
4 Widely-held corporations	wc, xc, f2, f4
5 Widely-held various groups	wv, xb, wc, f2, f4, fw1, fw2

**Table 6C Comparison of Ultimate Owners of Listed Companies in Thailand in 1996**

(1) 20% Cutoff Level Suehiro's survey for nonfinancing companies

World Bank Classification	Total	Suehiro Classification	Non-finance	Total
		Families Owned	40.1	33.5
		Semifamily	17.1	14.7
Families	61.6	*Families Subtotal	57.1	48.2
State	8.0	State	2.5	2.9
Widely-held finance institutions	8.6	Finance institutions	4.5	10.8
Widely-held corporations	15.3	Corporations	19.7	17.3
Widely-held various	6.6	Widely-held various	16.2	20.8
	100.1		100.0	100.0

(2) 40% Cut-Off Level

World Bank Classification	Total	Suehiro Classification	Non-finance	Total
		Families owned	14.6	11.6
		Semifamily	24.4	20.8
Families	38.9	*Families Subtotal	38.9	32.4
State	5.4	State	1.4	2.0
Widely-held finance institutions	1.2	Finance Institutions	5.1	11.8
Widely-held corporations	6.0	Corporations	8.1	6.9
Widely-held various	48.5	Widely-held various	46.5	46.9
	100.0		100.0	100.0

Note\* If two of three shareholders belong to finance institutions, Suehiro's survey classifies this corporation into finance institutions, not widely-held various groups.

**Table 6D Yupana's Survey of Listed Companies in Thailand: 1996**

Largest Shareholder			Controlling Shareholder		
Individual/ Family	197	73.0	One Controlling Shareholder	223	82.6
Government	9	3.3	*Individual/ Family	155	57.4
Foreign Investor	46	17.0	*Government	5	1.9
More than One Group	12	4.4	*Foreign Investor	35	13.0
Widely-held by	5	1.9	More than One	28	10.4
Various Groups			No Controlling Shareholders	47	17.4
Total	270	100.0	Total	270	100.0

Sources:

- (1) Suehiro: Survey by Suehiro at the SET in August 2000; Suehiro company database 1979-1999.
- (2) World Bank: Claessens, Stijn, Simeon Djankov and Larry H.P. Lang, "Who Controls East Asian Corporations ?" World Bank Policy Research Working Paper No. 2054, February 1999, pp. 8, 30.
- (3) Yupana: Yupana Wiwattanakantang, "The Equity Ownership Structure of Thai Firms," Institute of Economic Research, Hitotsubashi University, June 2000 (mimeo), pp. 27-28.

**Table 7 Ownership Pattern of Listed Companies in Thailand: 1996 Base Year**

(1) Ownership 20% Cutoff Level (N=448)

Type of Shareholders	Finance	%	Nonfinance	%	Total	%
f1 Owner-family member	1	1.1	54	15.1	55	12.3
f2 Owner investment company	2	2.2	33	9.2	35	7.8
f4 Owner-controlled company	4	4.4	51	14.3	55	12.3
f5 Multiple family member	0	0.0	5	1.4	5	1.1
F Family-owned (A)	7	7.7	143	40.1	150	33.5
fw1 Single family	5	5.5	53	14.8	58	12.9
fw2 Multiple families	0	0.0	8	2.2	8	1.8
FW Semifamily-owned (B)	5	5.5	61	17.1	66	14.7
wb1 Owner family finance inst.	8	8.8	0	0.0	8	1.8
wb Financial institution	19	20.9	10	2.8	29	6.5
wc Thai corporation	6	6.6	24	6.7	30	6.7
wv Widely-held various groups	35	38.5	58	16.2	93	20.8
W Widely-held	68	74.7	92	25.8	160	35.7
xb Foreign financial institution	5	5.5	6	1.7	11	2.5
xc Foreign corporation	2	2.2	46	12.9	48	10.7
X Foreign-owned	7	7.7	52	14.6	59	13.2
s State or State enterprise	4	4.4	9	2.5	13	2.9
Total	91	100.0	357	100.0	448	100.0
Family-owned (A)+(B)	12	13.2	204	57.1	216	48.2

(2) Ownership Pattern 40% Cutoff Level (N=448)

Type of Shareholders	Finance	%	Nonfinance	%	Total	%
fa Single family/Individuals	0	0	18	5.0	18	4.0
fb Owner-family various groups	0	0	34	9.5	34	7.6
Family-owned (A)	0	0	52	14.6	52	11.6
fw1 Single owner-family	6	6.6	66	18.5	72	16.1
fw2 Multiple owner-families	0	0.0	21	5.9	21	4.7
Semifamily-owned (B)	6	6.6	87	24.4	93	20.8
wb1 Owner family financial inst.	2	2.2	0	0.0	2	0.4
wb Financial institutions*	33	36.3	18	5.0	51	11.4
wc Thai corporations	2	2.2	29	8.1	31	6.9
wv Widely-held various groups	44	48.4	166	46.5	210	46.9
Widely-held	81	89.0	213	59.7	294	65.6
s State or State enterprise	4	4.4	5	1.4	9	2.0
Total	91	100.0	357	100.0	448	100.0
Family-owned (A)+(B)	6	6.6	139	38.9	145	32.4

Note: \* If two of three shareholders are financial institutions, Suehiro classifies this corporation into widely-held among financial institutions.

**Table 8 Ownership Pattern of Listed Companies in Thailand: 2000 Base Year**

(1) Ownership 20% Cutoff Level (N=433)

Type of Shareholders	Finance	%	Non-Finance	%	Total	%
f1 Owner family member	3	3.5	48	13.8	51	11.8
f2 Owner investment company	2	2.3	30	8.6	32	7.4
f4 Owner-controlled company	4	4.7	39	11.2	43	9.9
f5 Multiple family member	0	0.0	5	1.4	5	1.2
F Family-owned (A)	9	10.5	122	35.2	131	30.3
fw1 Single family	4	4.7	40	11.5	44	10.2
fw2 Multiple families	1	1.2	7	2.0	8	1.8
FW Semifamily-owned (B)	5	5.8	47	13.5	52	12.0
wb1 Owner family financial inst.	3	3.5	0	0.0	3	0.7
wb Financial institution	15	17.4	15	4.3	30	6.9
wc Thai corporation	7	8.1	24	6.9	31	7.2
wv Widely-held various groups	20	23.3	61	17.6	81	18.7
W Widely-held	45	52.3	100	28.8	145	33.5
xb Foreign finance institution	19	22.1	10	2.9	29	6.7
xc Foreign corporation	2	2.3	59	17.0	61	14.1
X Foreign-owned	21	24.4	69	19.9	90	20.8
s State or State enterprise	6	7.0	9	2.6	15	3.5
Total	86	100.0	347	100.0	433	100.0
Family-owned (A)+(B)	14	16.3	169	48.7	183	42.3

(2) Change in Ownership between 1996 and 2000 20% Cutoff Level (N=433)

Type of Shareholders	Total 1996	%	Total 2000	%	Change
f1 Owner family member	55	12.3	51	11.8	-4
f2 Owner investment company	35	7.8	32	7.4	-3
f4 Owner-controlled company	55	12.3	43	9.9	-12
f5 Multiple family member	5	1.1	5	1.2	0
F Family-owned (A)	150	33.5	131	30.3	-19
fw1 Single family	58	12.9	44	10.2	-14
fw2 Multiple families	8	1.8	8	1.8	0
FW Semifamily-owned (B)	66	14.7	52	12.0	-14
wb1 Owner family financial inst.	8	1.8	3	0.7	-5
wb Financial institution	29	6.5	30	6.9	1
wc Thai corporation	30	6.7	31	7.2	1
wv Widely-held various groups	93	20.8	81	18.7	-12
W Widely-held	160	35.7	145	33.5	-15
xb Foreign financial institution	11	2.5	29	6.7	18
xc Foreign corporation	48	10.7	61	14.1	13
X Foreign-owned	59	13.2	90	20.8	31
s State or State enterprise	13	2.9	15	3.5	2
Total	448	100.0	433	100.0	-15
Family-owned (A)+(B)	216	48.2	183	42.3	-33

Note: Suehiro survey on the basis of SET Company Documents in 1997 and March 2000.

**Table 9 Changes in Ownership Pattern of Listed Companies between 1996 and 2000**

Ownership 1996		Ownership 2000	Finance	Nonfinance	Total	%
f	→	f	5	109	114	26.9
fw	→	fw	3	48	51	12.0
f	→	fw	0	3	3	0.7
s	→	s	2	9	11	2.6
wb	→	wb	9	6	15	3.5
wb1	→	wb1	2	0	2	0.5
wc	→	wc	4	19	23	5.4
wv	→	wv	15	35	50	11.8
xb, xc	→	xb, xc	6	39	45	10.6
<b>No change</b>			<b>46</b>	<b>268</b>	<b>314</b>	74.1
f, fw (FM1)	→	wb	0	3	3	0.7
f, fw (FM2)	→	wv	0	2	2	0.5
f, fw (FM3)	→	wv	1	16	17	4.0
f, fw (FM4, FR1)	→	xb, xc	2	16	18	4.2
s	→	wv	1	0	1	0.2
wb	→	f, fw	3	0	3	0.7
wb	→	wc	1	0	1	0.2
wb	→	wv	2	3	5	1.2
wb (FR2)	→	xb, xc	2	0	2	0.5
wb1	→	others	4	0	4	0.9
wc	→	wv	1	1	2	0.5
wc (FR3)	→	xb, xc	0	3	3	0.7
wv	→	f, fw	1	7	8	1.9
wv	→	wb	4	5	9	2.1
wv	→	wc	2	2	4	0.9
wv	→	s	3	0	3	0.7
wv (FR4)	→	xb, xc	9	9	18	4.2
xb, xc	→	wb	1	3	4	0.9
xb, xc	→	wc, wv	0	3	3	0.7
<b>Change</b>			<b>37</b>	<b>73</b>	<b>110</b>	25.9
<b>Total</b>			<b>83</b>	<b>341</b>	<b>424</b>	100.0
Family-owned (FM1-FM4)	→	Others	3	37	40	9.4
Non-Foreign (FR1-FR4)	→	Foreign	13	28	41	9.7

Note: Survey by Suehiro on the basis of SET Thailand Listed Company 1997 and SET ed.. CD-ROM Listed Company 2000 Q1/Q2.

**Table 10 Ownership Pattern and Economic Performance of Listed Companies in Thailand: 1996-1999 \*20% Cutoff Approach, Median**

(1) Current Ratio 1996-99 (Times) N = 297

	Type of Shareholders	Number	1999	1998	1997	1996
FA	Family-owned (A)	122	0.85	0.82	0.91	1.18
FW	Semifamily-owned (B)	52	0.71	0.70	0.93	1.11
WB	Financial institutions	7	0.71	0.61	0.98	1.17
WC	Thai corporation	18	0.91	0.85	0.85	1.23
WV	Widely held various groups	46	0.47	0.44	0.69	0.88
X	Foreign-owned	45	1.30	0.83	0.92	1.24
S	State or State enterprise	7	1.08	0.93	0.71	1.64
	Total	297				
F	Family-owned (A)+(B)	174	0.84	0.82	0.92	1.14

(2) Debt/Equity Ratio 1996-99 (Times) N = 302

p	Type of Shareholders	Number	1999	1998	1997	1996
FA	Family-owned (A)	110	1.45	1.57	1.89	1.32
FW	Semifamily-owned (B)	45	1.37	1.60	2.39	1.23
WB	Financial institutions	17	0.97	1.24	1.61	1.34
WC	Thai corporation	19	0.88	1.24	1.42	1.21
WV	Widely-held various groups	57	1.77	2.21	2.29	1.54
X	Foreign-owned	45	0.84	0.91	1.53	0.98
S	State or State enterprise	9	1.95	1.97	4.34	1.68
	Total	302				
F	Family-owned (A)+(B)	155	1.45	1.59	1.93	1.30

(3) Return on Assets (ROA) 1996-99 (%) N = 348

p	Type of Shareholders	Number	1999	1998	1997	1996
FA	Family-owned (A)	127	0.17	2.12	-10.21	3.37
FW	Semifamily-owned (B)	55	-0.45	4.83	-8.77	2.48
WB	Financial institutions	19	2.62	0.82	-1.73	2.83
WC	Thai corporation	21	1.31	2.87	-11.59	3.50
WV	Widely-held various groups	66	-0.48	-3.64	-9.97	1.76
X	Foreign-owned	50	3.18	3.49	-2.46	4.34
S	State or State enterprise	10	-2.43	-0.30	-12.73	1.90
	Total	348				
F	Family-owned (A)+(B)	182	0.14	2.18	-10.07	3.29

(4) Return on Equity (ROE) 1996-99 (%) N = 307

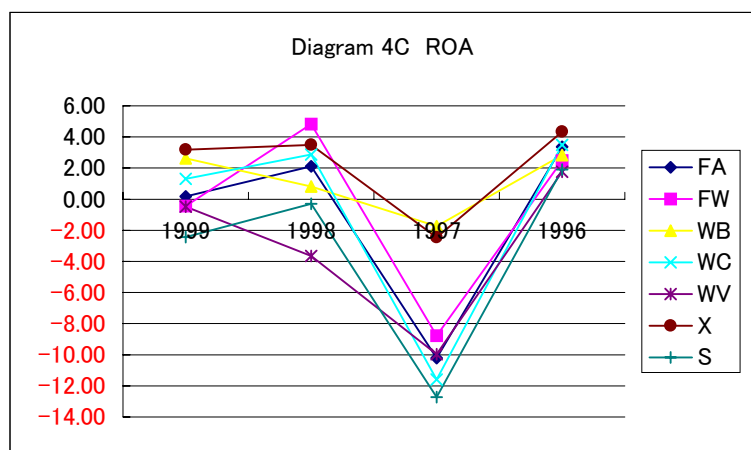
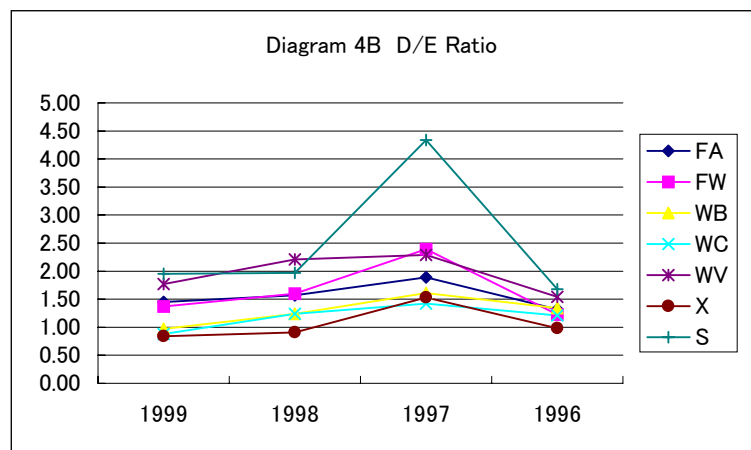
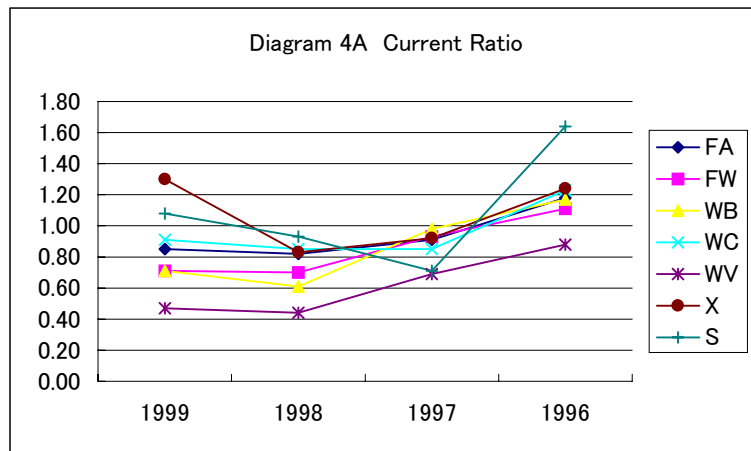
p	Type of Shareholders	Number	1999	1998	1997	1996
FA	Family-owned (A)	110	4.18	6.27	-15.06	10.18
FW	Semifamily-owned (B)	45	5.12	14.72	-7.61	6.03
WB	Financial institutions	17	6.14	2.01	2.77	8.91
WC	Thai corporation	19	6.89	6.18	-20.42	9.72
WV	Widely-held various groups	58	1.76	-2.10	-17.56	5.91
X	Foreign-owned	48	5.14	7.20	-5.11	9.47
S	State or State enterprise	10	-5.04	0.58	-47.42	9.71
	Total	307				
F	Family-owned (A)+(B)	155	4.41	8.06	-14.65	8.49

Source: Suehiro's survey on the basis of SET (ed.) CD-ROM Listed Company Info (Q1/Q2) and company documents compiled by SET.

Notes: (1) Calculated from company documents carrying serial data from 1996 to 1999, or available data of three out of four years between 1996 and 1999 concerning a specific item.

(2) Current ratio means <current assets/current liabilities>. Desirable figure is 2.00 and over.

**Diagram 4 Ownership Pattern and Economic Performance of Listed Companies in Thailand: 1996-1999, Median**





**Table 11 Ownership Pattern and Type of Business of the REHABCO Companies in Thailand: 2000 Base Year**

(1) Ownership 20% Cutoff (N=47, 347)

Code	Type of Shareholders	REHABCO	%	Nonfinance	%
f1	Owner-family member	7	14.9	48	13.8
f2	Owner-investment company	4	8.5	30	8.6
f4	Owner-controlled company	5	10.6	39	11.2
f5	Multiple family member	0	0.0	5	1.4
FA	Family-owned (A)	16	34.0	122	35.2
fw1	Single Family	6	12.8	40	11.5
fw2	Multiple families	3	6.4	7	2.0
FW	Semifamily-owned (B)	9	19.1	47	13.5
wb1	Owner-family financial inst.	0	0.0	0	0.0
wb	Financial institution	4	8.5	15	4.3
wc	Thai corporation	4	8.5	24	6.9
wv	Widely-held various groups	10	21.3	61	17.6
W	Widely-held	18	38.3	100	28.8
xb	Foreign financial institution	0	0.0	5	1.4
xc	Foreign corporation	4	8.5	59	17.0
X	Foreign-owned	4	8.5	69	19.9
S	State or State enterprise	0	0.0	9	2.6
Total		47	100.0	347	100.0
Family-owned (A)+(B)		25	53.2	169	48.7

(2) Type of Business of REHABCO (N=47, 347)

Type of Business	REHABCO	%	Nonfinance	%
Agribusiness	3	6.4	28	8.1
<b>Building Materials</b>	<b>9</b>	<b>19.1</b>	<b>35</b>	<b>10.1</b>
Chemical	1	2.1	15	4.3
Commerce	2	4.3	15	4.3
Electrical/Electronics	5	10.6	24	6.9
Foods	1	2.1	29	8.4
Health	2	4.3	13	3.7
<b>Jewelry</b>	<b>2</b>	<b>4.3</b>	<b>4</b>	<b>1.2</b>
<b>Mining</b>	<b>2</b>	<b>4.3</b>	<b>3</b>	<b>0.9</b>
<b>Property</b>	<b>13</b>	<b>27.7</b>	<b>44</b>	<b>12.7</b>
Textile	2	4.3	28	8.1
Others	5	10.6	109	31.4
Total	47	100.0	347	100.0

Note: REHABCO means a company under a rehabilitation scheme of corporate debt restructuring, and has been ordered by the Stock Exchange of Thailand to stop its stock transactions.

**Table 12 Foreign Investors and Economic Performance of Listed Companies in Thailand: 1996-1999**

**\*Foreign Investors' Ownership; Nonfinance Companies, Median**

(1) Current Ratio 1996-1999 (Times) N = 302

	% of Foreign Shareholders	Number	1999	1998	1997	1996
FR1	0-9% foreign ownership	117	0.65	0.71	0.84	1.07
FR2	10-29% foreign ownership	68	0.90	0.73	0.97	1.25
FR3	30-49% foreign ownership	78	1.12	0.90	0.92	1.15
FR4	50% and above foreign ownership	19	0.90	0.82	1.00	1.06
FX	Data not available	20	0.81	0.77	0.71	1.11
	Total	302				
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	REHABCO*	41	0.29	0.33	0.60	0.90
F	Family-owned (A)+(B)	136	0.84	0.78	0.93	1.14

(2) Debt/Equity Ratio 1996-1999 (Times) N = 264

p	% of Foreign Shareholders	Number	1999	1998	1997	1996
FR1	0-9% foreign ownership	99	1.81	1.78	1.98	1.28
FR2	10-29% foreign ownership	59	1.24	1.38	1.82	1.20
FR3	30-49% foreign ownership	73	0.91	0.97	1.83	1.25
FR4	50% and above foreign ownership	18	1.17	1.39	1.64	1.24
FX	Data not available	15	1.16	1.36	1.99	1.39
	Total	264				
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	REHABCO*	11	14.06	9.77	2.90	2.30
F	Family-owned (A)+(B)	120	1.54	1.69	2.01	1.32

(3) Return on Assets (ROA) 1996-1999 (%) N = 306

p	% of Foreign Shareholders	Number	1999	1998	1997	1996
FR1	0-9% foreign ownership	120	-2.43	0.65	-11.26	2.36
FR2	10-29% foreign ownership	68	1.44	3.67	-11.27	3.65
FR3	30-49% foreign ownership	79	2.70	5.12	-9.02	3.57
FR4	50% and above foreign ownership	19	2.14	7.79	-3.72	5.97
FX	Data not available	20	1.58	-0.41	-8.10	3.27
	Total	306				
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	REHABCO*	41	-19.81	-17.98	-30.19	0.30
F	Family-owned (A)+(B)	143	0.11	2.12	-10.73	2.96

(4) Return on Equity (ROE) 1996-1999 (%) N = 275

p	% of Foreign Shareholders	Number	1999	1998	1997	1996
FR1	0-9% foreign ownership	107	-0.07	2.01	-20.42	5.90
FR2	10-29% foreign ownership	58	7.45	12.89	-15.14	10.38
FR3	30-49% foreign ownership	76	5.31	9.33	-17.75	7.32
FR4	50% and above foreign ownership	19	5.96	18.08	-8.55	13.53
FX	Data not available	15	14.72	3.24	-3.79	9.57
	Total	275				
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	REHABCO*	19	-74.15	-96.90	-77.81	0.36
F	Family-owned (A)+(B)	112	4.30	8.68	-18.99	8.83

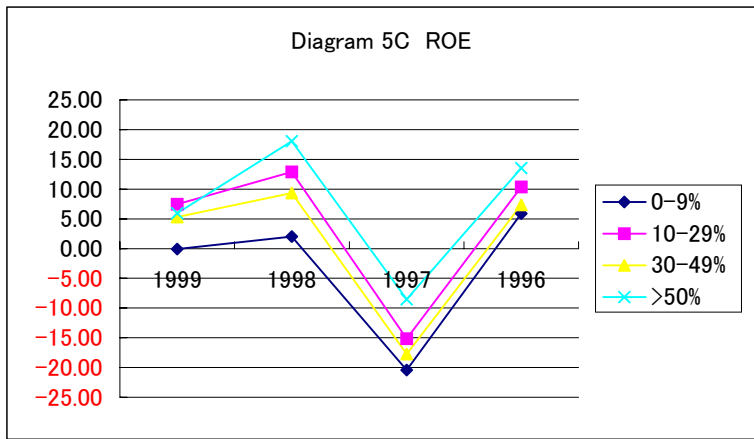
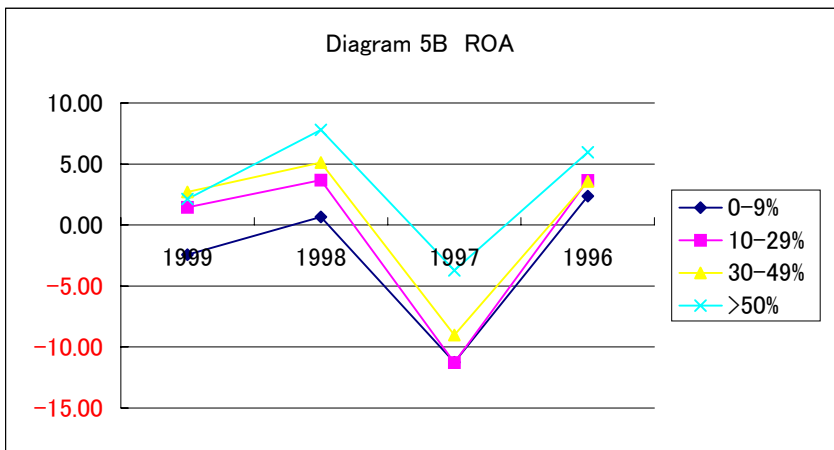
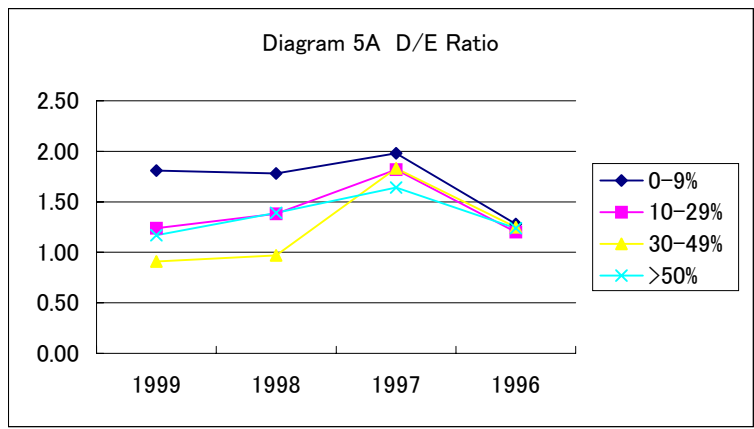
Source: Suehiro's survey on the basis of SET (ed.) CD-ROM Listed Company Info (Q1/Q2).

Notes: (1) Calculated from company documents that bear serial data from 1996 to 1999, or available data of three out of four years between 1996 and 1999 concerning a specific item.

(2) Current ratio means <current assets/current liabilities>. Desirable figure is 2.00 and over.

(3) REHABCO means a Rehabilitation Company that is under the process of corporate debt restructuring negotiation, and whose stock transactions have been stopped by the Stock Exchange of Thailand since 1999.

**Diagram 5 Foreign Shareholdings and Economic Performance of Listed Companies in Thailand: 1996-1999, Median**



**Table 13 Change in Ownership and Economic Performance of Family-run Type Listed Companies in Thailand: 1996-1999 \*1996 and 2000 Base Year, Median**

**(1) Debt/Equity Ratio 1996-99 (Times) N = 155**

Type	Change in Ownership Pattern 1996-2000	Number	1999	1998	1997	1996
A	Family-Owned with no change (f →f)	118	1.51	1.69	2.01	1.32
B	Family-Owned to Widely-Held (f →w)	19	1.60	2.89	2.53	1.31
C	Family-Owned to Foreign-Owned (f →x)	18	0.80	0.85	1.35	1.14
Total		155	1.45	1.59	1.93	1.30

**(2) Return on Assets (ROA) 1996-1999 (%) N = 182**

Type	Change in Ownership Pattern 1996-2000	Number	1999	1998	1997	1996
A	Family-Owned with No Change (f →f)	142	0.11	2.43	-9.41	3.23
B	Family-Owned to Widely-Held (f →w)	21	-2.02	1.08	-11.71	3.44
C	Family-Owned to Foreign-Owned (f →x)	19	3.62	6.56	-15.60	3.22
Total		182	0.14	2.81	-10.07	3.29

**(3) Return on Equity (ROE) 1996-1999 (%) N = 155**

Type	Change in Ownership Pattern 1996-2000	Number	1999	1998	1997	1996
A	Family-Owned with No Change (f →f)	118	4.99	7.55	-9.86	8.03
B	Family-Owned to Widely-Held (f →w)	19	-4.86	10.28	-17.52	8.99
C	Family-Owned to Foreign-Owned (f →x)	18	6.20	15.69	-27.83	8.49
Total		155	4.41	8.06	-14.65	8.49

Source: Suehiro and Nate-napha survey on the basis of SET company documents and SET CD-ROM Listed Companies 1999 Q1/Q2, Q3/Q4 and 2000 Q1/Q2.

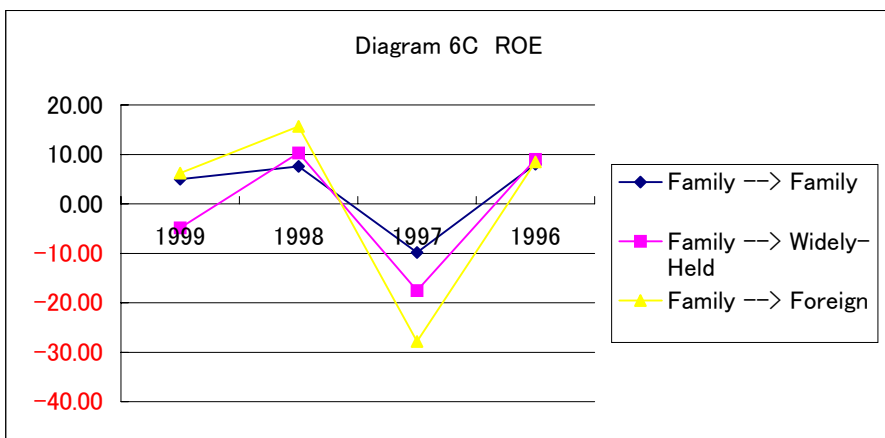
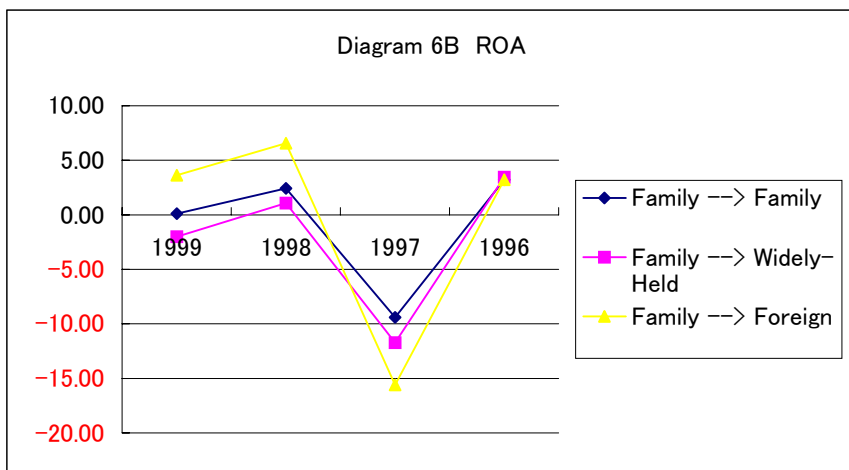
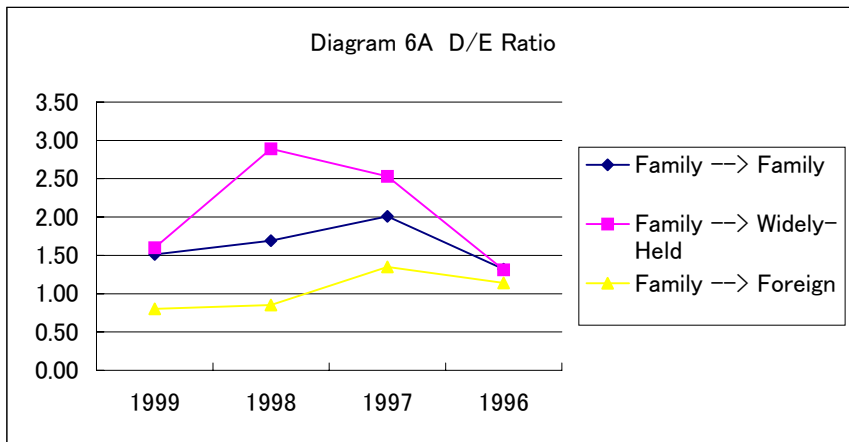
Notes: (1) Family-Owned with no change includes <F--->f>, <f--->fw>, <Fw--->fw>

(2) Family-Owned to Widely-Held includes <f, fw--->wb>, <f, fw--->wc> and <f, fw--->wv>.

(3) Family-Owned to Foreign-Owned includes <f, fw--->xb> and <f, fw--->xc>.

(4) Employs data of companies of which we can use serial data or data for at least three years between 1996 and 2000.

**Diagram 6 Change in Ownership and Economic Performance of Family Business: 1996-1999, Median**



**Table 14 Minor Shareholders and Economic Performance of Listed Companies in Thailand: 1996-1999 \*Minor Shareholders 2000 Base Year, Median**

(1) Debt/Equity Ratio 1996-1999 (Times) N = 303

Type	% of Minor Shareholdings	Number	1999	1998	1997	1996
D1	50% and over by minor shareholdings	6	5.36	10.48	5.81	1.65
D2	30-49% by minor shareholdings	20	2.92	2.89	1.99	1.18
D2f	30-49% minor: foreign 20% and over	13	2.02	2.00	2.50	1.67
D3	20-29% by minor shareholdings	35	1.60	1.70	2.02	1.52
D3f	20-29% by minor: foreign 20% and over	21	1.54	1.48	1.48	1.24
D4	10-19% by minor shareholdings	131	1.12	1.24	1.57	1.15
D5	1-9% by minor shareholdings	77	1.45	1.55	2.17	1.35
Total		303				

(2) Return on Assets (ROA) 1996-1999 (%) N = 344

Type	% of Minor Shareholdings	Number	1999	1998	1997	1996
D1	50% and over by minor shareholdings	6	-4.80	-7.02	-17.89	1.24
D2	30-49% by minor shareholdings	23	-2.64	-4.46	-2.86	2.28
D2f	30-49% minor: foreign 20% and over	14	-8.64	-1.49	-1.69	3.66
D3	20-29% by minor shareholdings	40	-1.81	0.51	-8.73	2.47
D3f	20-29% by minor: foreign 20% and over	24	3.34	0.46	-9.51	3.14
D4	10-19% by minor shareholdings	149	1.29	3.35	-6.45	4.24
D5	1-9% by minor shareholdings	88	0.67	1.61	-8.13	2.39
Total		344				

(3) Return on Equity (ROE) 1996-1999 (%) N = 303

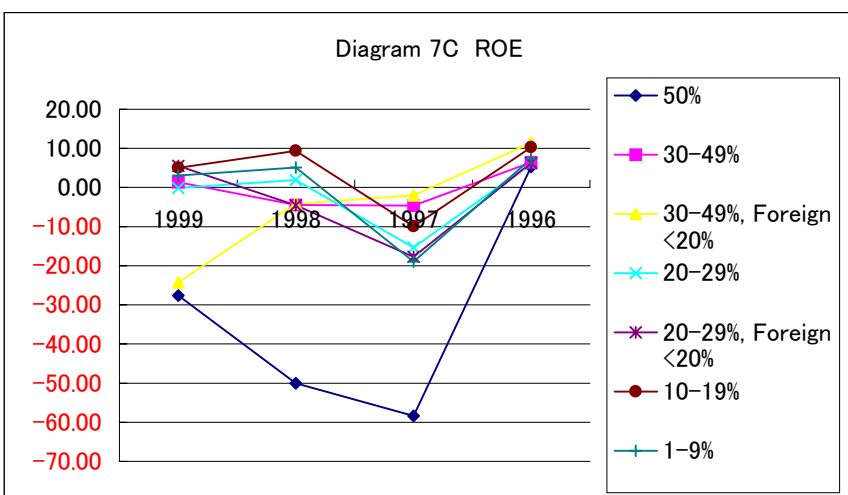
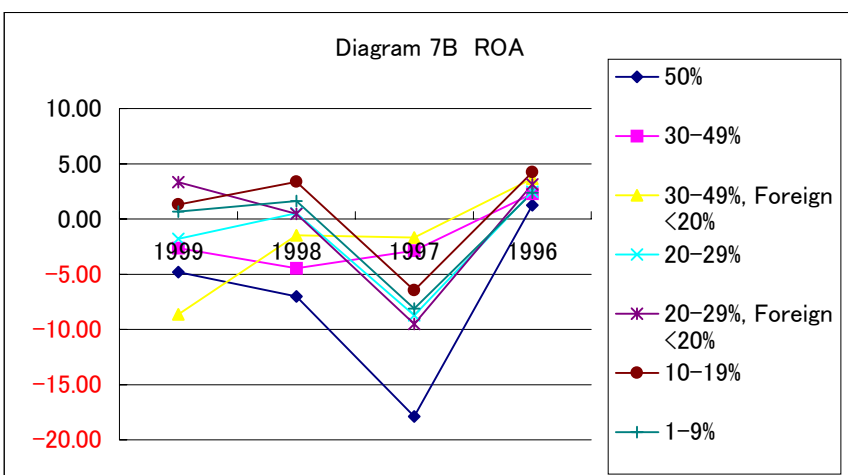
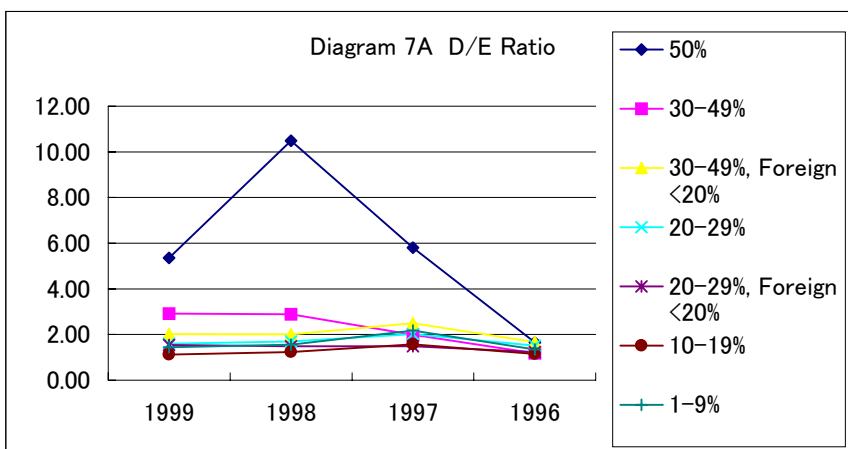
Type	% of Minor Shareholdings	Number	1999	1998	1997	1996
D1	50% and over by minor shareholdings	6	-27.63	-50.04	-58.41	5.31
D2	30-49% by minor shareholdings	20	1.34	-4.47	-4.62	6.38
D2f	30-49% minor: foreign 20% and over	13	-24.26	-4.12	-2.01	11.42
D3	20-29% by minor shareholdings	35	-0.12	1.88	-15.33	6.21
D3f	20-29% by minor: foreign 20% and over	21	5.55	-4.58	-17.75	6.23
D4	10-19% by minor shareholdings	129	4.99	9.33	-9.95	10.29
D5	1-9% by minor shareholdings	79	3.03	5.08	-18.93	7.35
Total		303				

Source: Suehiro's survey on the basis of SET CD-ROM Listed Companies 2000 Q1/Q2.

Notes: (1) Minor shareholder means a shareholder who has stocks comprising less than 0.5% of the total shareholdings.

(2) Calculated from company documents that bear serial data from 1996 to 1999, or available data of three out of four years between 1996 and 1999 concerning a specific financial indicator.

**Diagram 7 Minor Shareholdings of Thai Listed Companies and Economic Performance: 1996-1999, Median**



**Table 15 Company Ownership Patterns and Governance of Thai Listed Companies**

Governance		Family-owned	Quasi-family-owned	Financial institution	Thai corporation	Widely-held various groups	Foreign-owned	State or state enterprise	All	Chi-square Test
Total sample listed companies		117	40	31	29	42	51	13	323	
%		36.22	12.38	9.60	8.98	13.00	15.79	4.02	100.00	
Number of directors & executives	Mean	14	14	15	14	21	13	23	15	
	Maximum	62	35	29	30	61	43	75	75	
	Minimum	7	6	6	5	8	6	5	5	
Independent directors	Mean	2	3	2	2	3	3	3	2	
Separation of management and control	Observed	117	40	31	29	42	51	13	323	
	Separate	40.20%	60.00%	51.60%	55.20%	50.00%	41.20%	69.20%	47.70%	
	Not separate	59.80%	40.00%	48.40%	44.80%	50.00%	56.90%	30.80%	52.00%	0.27
CEO/President type: origins or past experiences	N.A.						2.00%		0.30%	
	Observed	102	38	26	28	35	42	13	284	
	Family (F)	50.00%	57.90%	19.20%	28.60%	42.90%	19.00%	7.70%	38.70%	
	Major shareholder (MS)	13.70%	7.90%	15.40%	14.30%	17.10%	40.50%	38.50%	18.70%	
	Financial institutions (FI)	2.00%		3.80%					1.10%	
	Related companies (R)	4.90%	2.60%	23.10%	14.30%	2.90%	4.80%	15.40%	7.40%	
	Government institution or State enterprise	2.90%	5.30%		3.60%	8.60%	2.40%	15.40%	4.20%	
	Academic professor (AP)	1.00%							0.40%	
	Employee (GM)	8.80%	2.60%	11.50%	7.10%	2.90%	9.50%	7.70%	7.40%	
	Other private companies (P)	10.80%	18.40%	7.70%	10.70%	17.10%	21.40%	15.40%	14.10%	
	N.A.	5.90%	5.30%	19.20%	21.40%	8.60%	2.40%	8.10%	0.00	
Family member director & executive (F)	Observed	112	38	29	23	42	48	13	305	
	None	20.50%	15.80%	55.20%	43.50%	38.10%	56.30%	92.30%	36.10%	
	At least one	79.50%	84.20%	44.80%	56.50%	61.90%	43.80%	7.70%	63.90%	0.00
Mean	3	4	2	2	2	2	0	2		
Major shareholder director & executive (MS)	Observed	111	37	29	25	40	51	12	305	
	None	50.50%	48.60%	44.80%	32.00%	42.50%	9.80%	25.00%	39.30%	
	At least one	49.50%	51.40%	55.20%	68.00%	57.50%	90.20%	75.00%	60.70%	0.00
Mean	1	2	2	2	3	4	3	2		
Financial institution director & executive (FI)	Observed	109	36	29	22	39	44	12	291	
	None	79.80%	77.80%	44.80%	72.70%	76.90%	72.70%	91.70%	74.60%	
	At least one	20.20%	22.20%	55.20%	27.30%	23.10%	27.30%	8.30%	25.40%	0.01
Mean	0	0	1	0	0	0	0	0		
Government institution or State enterprise director & executive	Observed	110	36	29	22	41	48	13	299	
	None	40.90%	52.80%	41.40%	40.90%	26.80%	25.00%	7.70%	36.50%	
	At least one	59.10%	47.20%	58.60%	59.10%	73.20%	75.00%	92.30%	63.50%	0.02
Mean	2	1	2	3	2	1	5	2		
Employee director & executive (GM)	Observed	110	36	29	22	39	47	13	296	
	None	75.50%	75.00%	82.80%	59.10%	56.40%	74.50%	69.20%	72.00%	
	At least one	24.50%	25.00%	17.20%	40.90%	43.60%	25.50%	30.80%	28.00%	0.16
Mean	1	0	1	2	3	0	3	1		

Source: 323 Thai listed companies and 4,945 directors and executives in March 2000.

Calculated by Nate-napha Weilerdsak.

(End notes follow)



## Table 15 End Notes: Definitions and Explanations

The ownership patterns have been broken into seven categories: family-owned, quasifamily-owned, financial institutions, Thai corporations, widely-held various group, foreign-owned, and State or State enterprise-owned companies (see Suehiro).

Observed: indicates the number of companies observed in each cross tabulation. The percentages show the proportion of cases.

The last column presents the significant level of the chi-square statistic associated with each cross-tabulation.

In some instances (separation of management and control, employee executive & director), there are no relationships between the applications to ownership patterns.

### Definition of Variables:

1) Number of directors and executives = Average, maximum and minimum of directors and executives per company.

2) Independent directors, or outside directors are directors who do not have any relations with major shareholders, managements and concerned persons, and hold less than 0.5% shares of the company. At least two independent directors are required under the SET rule.

In the table, independent directors who are currently occupying other positions (i.e., chairperson, vice-chairperson, audit committee) are included.

3) Separation between management and control; 0 = company not separate; 1 = company separate

4) CEO/President type = the origin or past experience of CEO; F = family member; MS = major shareholder;

FI = financial institution; R = related company; GV = government institution or State enterprise;

AP = academic professor; GM = employee; P = employed professional or from other private company

CEO/President currently occupying other positions (i.e., chairperson, vice-chairperson, chairperson of executive board) are included.

A number of companies having at least one director and executive from ---

5) family-member (including those who have either blood relation or kinship with the family founders or shareholders); 0 = none; 1 = existing

6) major shareholders (nonfamily); 0 = none; 1 = existing

7) financial institutions; 0 = none; 1 = existing

8) government institutions or State enterprises; 0 = none; 1 = existing

9) employees (including internally-promoted genuine employee and mid-career employee) ; 0 = none; 1 = existing

And mean figures show the average number of such directors and executives per company.

**Table 16 Ownership/Management Separation and Economic Performance, Family-Owned Listed Companies 1996-1999: Data 2000 Base Year**

**Table 16A. Separation of Ultimate Shareholders and Chairperson/Vice-Chairperson (N=130, 155, 130)**

D/E Ratio	Type	Sampling Number	Debt/Equity Ratio, Median			
			1999	1998	1997	1996
	Family-owned, separation type	27	1.29	1.59	1.92	1.20
	Family-owned, no separation type	68	1.73	2.01	2.22	1.46
	Semifamily-owned, no separation type	12	0.99	0.93	1.30	0.80
	Family-owned, data not available	23	3.45	2.20	2.23	1.41
	Total	130	1.56	1.72	2.05	1.30
ROA			Return on Assets, Median			
			1999	1998	1997	1996
	Family-owned, separation type	27	4.83	-8.77	2.53	2.53
	Family-owned, no separation type	74	1.56	5.22	-6.56	3.37
	Semifamily-owned, no separation type	13	3.76	4.80	-2.55	5.91
	Family-owned, data not available	41	-12.64	-14.23	-20.85	1.27
	Total	155	0.17	2.31	-9.02	2.96
ROE			Return on Equity, Median			
			1999	1998	1997	1996
	Family-owned, separation type	27	3.88	11.82	-25.20	5.74
	Family-owned, no separation type	68	5.33	7.97	-12.64	8.95
	Semifamily-owned, no separation type	12	6.64	10.78	-3.45	13.02
	Family-owned, data not available	23	-16.88	-2.60	-13.17	7.03
	Total	130	4.41	6.58	-11.53	7.97

Source: Nate-napha Weilerdsak survey on the basis of company documents according to Form 56/1/ in August 2000.

Notes: (1) No separation type means the ultimate shareholder (owner-family member) overlaps with a chairperson or vice-chairperson of the Board of Directors.

(2) Semifamily-owned means shareholdings by the largest shareholder do not reach 20%, but combined shareholdings exceed 20%.

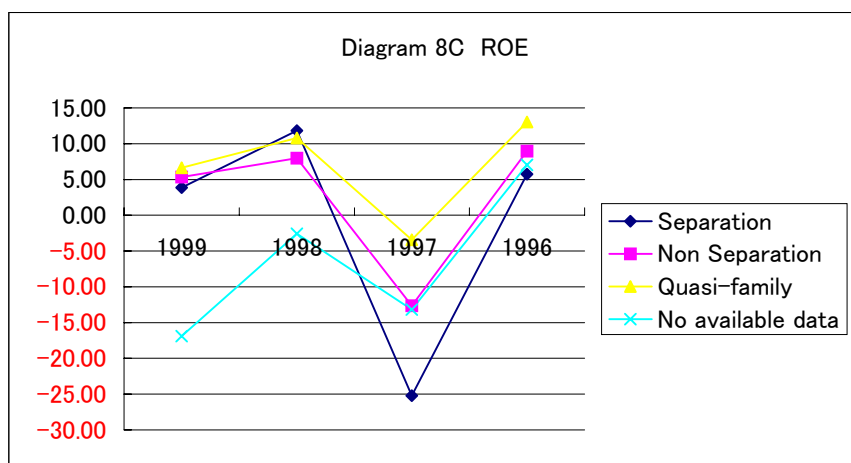
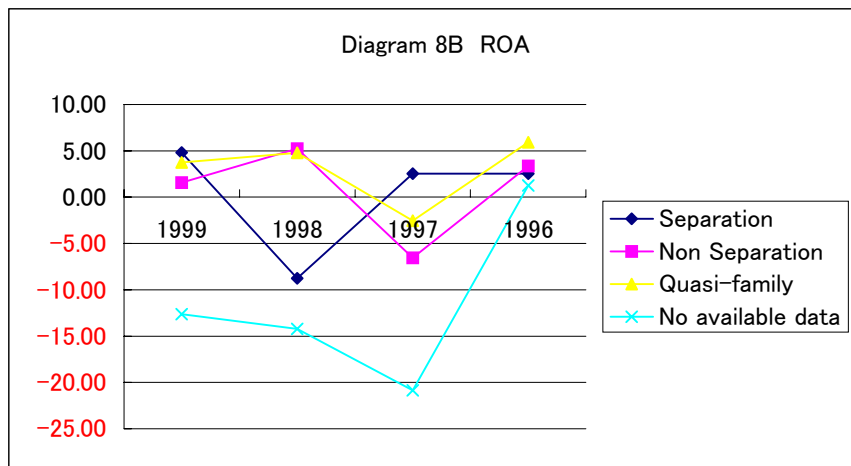
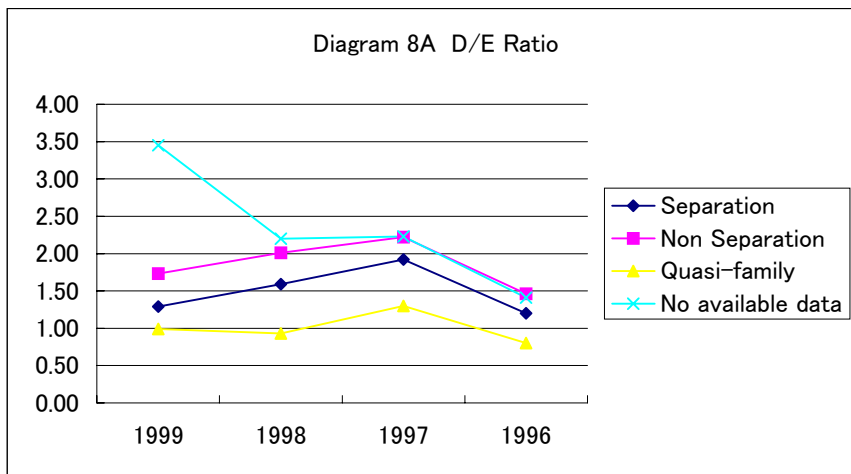
**Table 16B. Separation of Ultimate Shareholders and CEO/Presidents (N=130, 155, 130)**

D/E Ratio	Type	Sampling Number	Debt/Equity Ratio, Median			
			1999	1998	1997	1996
	Family-owned, separation type	41	1.19	1.59	1.87	1.10
	Family-owned, no separation type	53	1.76	1.94	2.31	1.46
	Semifamily-owned, no separation type	9	1.09	1.14	1.74	1.18
	Family-owned, data not available	27	1.48	1.73	1.81	1.19
	Total	130	1.56	1.72	2.05	1.32
ROA			Return on Assets, Median			
			1999	1998	1997	1996
	Family-owned, separation type	27	3.43	5.12	-8.77	3.37
	Family-owned, no separation type	58	0.61	4.51	-7.44	3.74
	Semifamily-owned, no separation type	9	1.19	1.17	-4.41	4.30
	Family-owned, data not available	45	-5.37	-8.50	-18.15	1.36
	Total	155	0.17	2.31	-9.02	2.96
ROE			Return on Equity, Median			
			1999	1998	1997	1996
	Family-owned, separation type	41	5.97	7.98	-7.63	6.62
	Family-owned, no separation type	53	3.55	6.11	-14.41	10.30
	Semifamily-owned, no separation type	9	2.73	4.85	-8.14	8.76
	Family-owned, data not available	27	1.17	5.55	-4.31	5.90
	Total	130	4.41	6.58	-11.53	7.97

Source: Nate-napha Weilerdsak survey on the basis of company documents according to Form 56/1/ in August 2000.

Notes: (1) No separation type means the ultimate shareholder (owner-family member) overlaps with CEO or president.

## Diagram 8 Separation of Ownership and Control Among Family-Owned Firms and Their Economic Performance: 1996-1999



**Table 17 Chairperson of the Board/Executive Member Separation and Economic Performance, Family-owned Listed Companies 1996-1999: Data 2000 Base Year**

**Table 17A Whole Industry (N=130, 154, 130)**

Type	Sampling Number	Debt/Equity Ratio, Median			
		1999	1998	1997	1996
<b>D/E Ratio</b>					
Family-owned, separation type	58	1.36	1.55	1.76	1.23
Family-owned, no separation type	55	1.49	1.86	2.23	1.32
Family-owned, data not available	17	4.75	2.65	2.29	1.45
Total	130	1.56	1.72	2.05	1.32
		Return on Assets, Median			
<b>ROA</b>		1999	1998	1997	1996
Family-owned, separation type	60	1.28	6.14	-5.44	3.10
Family-owned, no separation type	60	1.46	3.20	-8.28	4.11
Family-owned, data not available	34	-17.67	-16.32	-21.41	0.77
Total	154	0.17	2.22	-9.41	2.96
		Return on Equity, Median			
<b>ROE</b>		1999	1998	1997	1996
Family-owned, separation type	58	4.18	10.45	-7.63	7.26
Family-owned, no separation type	55	5.44	6.07	-14.14	10.30
Family-owned, data not available	17	-16.88	-10.96	-7.35	4.53
Total	130	4.41	6.58	-11.50	7.97

**Table 17B Agribusiness (N=25, 27, 25)**

Type	Sampling Number	Debt/Equity Ratio, Median			
		1999	1998	1997	1996
<b>D/E Ratio</b>					
Family-owned, separation type	5	1.54	2.56	3.79	1.79
Family-owned, no separation type	10	1.04	1.22	1.91	1.48
Family-owned, data not available	4	14.55	4.78	2.42	1.91
Other types of firms	6	0.73	0.94	1.17	0.93
Total	25	1.07	1.25	2.13	1.63
		Return on Assets, Median			
<b>ROA</b>		1999	1998	1997	1996
Family-owned, separation type	5	3.84	7.46	-10.70	2.48
Family-owned, no separation type	10	11.07	10.53	2.52	7.59
Family-owned, data not available	5	-5.80	-8.50	-2.61	0.40
Other types of firms	7	5.09	11.58	-1.17	4.08
Total	27	6.10	6.70	-2.61	3.17
		Return on Equity, Median			
<b>ROE</b>		1999	1998	1997	1996
Family-owned, separation type	5	6.19	37.42	-51.66	5.27
Family-owned, no separation type	10	19.66	29.54	9.87	15.86
Family-owned, data not available	4	-32.62	-34.72	-5.83	6.84
Other types of firms	6	11.81	21.60	11.46	10.94
Total	25	11.31	22.39	-3.30	8.97

Source: Survey by Suehiro on the basis of company documents compiled by SET.

Note: No separation means a chairperson of the Board overlaps with executive committee member.

**Table 18 Foreign Investment and Return on Assets, Classified by Sector (1996-1999)**

Code	Type of Business	FR	FA	Sample Number <sup>(1)</sup>	Family 2000 <sup>(2)</sup>	Foreign 2000 <sup>(3)</sup>	(2)/(1) %	(3)/(1) %	1999	1998	1997	1996
19	Mining			3	1	0	33.3	0.0	n.a.	-5.12	-30.00	-4.02
29	Warehouse & Silo		FA	4	2	0	50.0	0.0	8.39	3.96	4.67	8.17
21	Pharmaceutical Products		FA	2	1	0	50.0	0.0	8.22	-1.35	-5.70	4.97
12	Food & Beverages	F	FA	23	12	5	52.2	21.7	8.03	6.97	0.42	6.05
1	Agribusiness		FA	27	18	2	66.7	7.4	6.10	6.70	-2.61	3.17
15	Hotel & Travel Services	F		11	2	5	18.2	45.5	5.59	7.57	-8.71	2.97
8	Electronic Components	F		8	2	4	25.0	50.0	4.70	-1.93	-2.78	6.42
9	Energy	F		9	1	3	11.1	33.3	4.54	5.38	-13.24	3.68
16	Insurance			21	6	3	28.6	14.3	4.47	2.73	1.75	5.87
5	Commerce			14	5	3	35.7	21.4	4.10	3.20	-9.40	3.90
28	Vehicles and Parts			10	3	2	30.0	20.0	3.28	-1.67	-10.31	4.06
22	Printing & Publishing		FA	6	3	1	50.0	16.7	2.88	1.37	2.17	5.13
11	Finance & Securities	F	FA	15	1	8	6.7	53.3	1.52	-6.74	-7.28	2.16
23	Professional Services	F	FA	2	1	1	50.0	50.0	1.42	7.02	5.70	8.65
4	Chemicals and Plastics			14	3	3	21.4	21.4	1.18	5.73	-23.76	2.64
10	Entertainment		FA	6	4	1	66.7	16.7	0.17	-1.27	1.38	9.25
18	Machinery & Equipment			5	1	1	20.0	20.0	-0.13	-15.10	-0.08	6.29
6	Communications		FA	10	7	1	70.0	10.0	-0.16	2.44	-23.35	4.23
26	Textiles, Clothing & Footwear		FA	25	11	5	44.0	20.0	-0.22	6.86	-8.77	2.21
20	Packaging	F	FA	16	7	4	43.8	25.0	-0.92	2.76	-11.77	2.73
13	Healthcare Services			13	4	0	30.8	0.0	-2.12	0.84	-4.41	3.98
27	Transportation		FA	6	3	1	50.0	16.7	-2.32	2.74	-22.62	-0.01
7	Electrical & Computer	F		14	1	6	7.1	42.9	-3.84	-1.80	-11.46	2.65
25	Pulp & Paper	F		4	0	1	0.0	25.0	-3.85	10.33	-18.83	-1.97
14	Household Goods	F	FA	8	5	2	62.5	25.0	-4.35	4.95	-11.57	2.40
2	Banking	F		9	0	2	0.0	22.2	-5.26	-5.30	-0.11	1.44
24	Property Development		FA	32	12	3	37.5	9.4	-7.55	-7.30	-12.74	1.69
3	Building & Furnishing	F		31	10	7	32.3	22.6	-10.10	-4.11	-20.00	-1.44
17	Jewelry & Ornaments		FA	2	2	0	100.0	0.0	-48.47	-36.05	2.73	0.74
30	Total			350	128	74	36.6	21.1				

Source: Suehiro survey on the basis of company documents compiled by SET, 1997, 1999, 2000.

Notes: (1) Calculated from company documents that bear serial data from 1996 to 1999, or available data of three out of four years between 1996 and 1999 concerning the return on assets ratio.

(2) FR indicates the industry or sector in which foreign firms exceed average figure (20.6%) against sampling companies.

FA indicates the industry or sector in which family-owned firms exceed average figure (36.8%) against sampling companies.

**Table 19 Comparison of Top Management Between Thailand and Japan (1999/2000)**

Age Distribution	Thailand	%	Japan	%
40 and below	1,357	21.1		n.a.
41-50	2,301	35.8	11	2
51-60	1,771	27.5	229	31
61-70	751	11.7	451	62
71 and above	252	3.9	23	3
Total	6,432	100.0	731	100
Final Education Level	Thailand	%	Japan	%
Elementary/High School	51	1.2	37	5
Vocational School	225	5.1	8	1
Bachelor	1,732	39.6	632	86
Master/MBA	1,819	41.6	16	2
Doctoral	296	6.8	8	1
Others	247	5.7	30	5
Total	4,370	100.0	731	100

Sources: Thailand: Suehiro and Nate-napha Survey (August 2000); Japan (Inagami [ed.] 2000).

Note: Figures for ages 41-50 for Japan include top executives aged 40 and below. In the case of Japan, age distribution is classified by 50-59, 60-69, and 70 and above, only.

**Table 20 Countries of Graduation of Top Executives of Thai Listed Companies**

N = 3890 (4940)		
Country	Number	%
Thailand	1,773	45.6
US	1,348	34.7
UK	227	5.8
Japan	141	3.6
Australia	76	2.0
Taipei,China	45	1.2
France	42	1.1
Singapore	33	0.8
People's Republic of China	34	0.9
Canada	22	0.6
Others	149	3.8
Total sample	3,890	100.0
n.a.	1,050	
Total	4,940	

Source: Suehiro and Nate-napha survey in August 2000 at SET.

**Table 21 Business Activities, Ownership and Management Structure of the CP (Charoen Pokphand) Group = the Chiarawanon Family in Thailand: 1920s-2000**

	1920s-40s	1950s	1960s	1970s	1980s	1990s	1997- Crisis
Industrial Base	Import/export *seeds, eggs	New business *slaughtering	Manufacturing 1968- *feedmilling	<b>Vertical integration</b> *broiler chickens overseas investment ---->	Integration *prawn culture, swine *88- petrochemical *89- telecommunications *89- modern retail business	<b>Diversification</b>	<b>Downsizing</b> Specialization in agribusiness
Corporate Structure	Chinese shop "hang" 行	Partnership	Limited company	Grouping	the mid of the 80s <b>Divisional department system (1985-)</b>		Downsizing
Ownership	Family-owned --->		Investment Co. owned by family members	Starting joint ventures	<b>Listing at stockmarket</b>	<b>1990- Group head office</b> *reorganizing of decision-making <b>Holding company system</b> *See Diagram 1	*Selling *Joint ventures
Managerial Staff	Family members	Division of labor among brothers	<b>Recruiting specialist (1958-63)</b> Import from outside	Import from outside	1979- Art Taolanon *corp. strategy <b>*R&amp;D start</b>	Recruiting through "getting to know the CP" program Import	Lay-offs
Technology	None	Research at State enterprises	None	None			???
Human Development	None	None	None	None		<b>Training center 1995/ CP-PIS</b>	Enhancing
Financing	Own profits ---> Chinese networks		Bank-based credit	Bank-based credit	<b>1987- Listing</b> *stockmarket at BKK, HK, NY *syndicate loans	<b>Debt restructuring</b> 1993- offshore	Over-rolling

Sources: (1) Suehiro (2000c), p. 214.

(2) A. Suehiro, *Capital Accumulation in Thailand, 1855-1985*, Tokyo: UNESCO, Centre for East Asian Cultural Studies, 1989.

(3) A. Suehiro, "Family Business Reassessed: Corporate Structure and Late-starting Industrialization in Thailand," *The Developing Economies*, Vol. 31, No. 4, 1993, pp. 378-407.

(4) A. Suehiro, "Modern Family Business and Corporate Capability in Thailand: A Case Study of the CP Group," *Japanese Yearbook on Business History*, Vol. 14, 1998, pp. 31-58.

(5) Wichai Suwannaban, *C.P. Thurakit Rai Phrom Thaen*, Bangkok: Than Sethakrit, 1993.

(6) Thanawat Sappaibun, *Thanin Chiarawanon nai Yutthachak Nak Thurakit Lok*, Bangkok: Double Nine, 1999.

**Table 22 Business Base, Ownership Structure and Directorship of the TPI Group = the Leaphairat Family**  
(Ownership as of December 1996; Directorship as of December 1998)

Type	Name of Company (*Listed)	Type of Business	TPI	TPI Polene	Prachai	Prathip	Pramuwan	Malini	San
(1) Petrochemical Industry related:									
	Thai Petrochemical Industry PLC*	Petrochemical	-	-	DR, CEO	DR, PR	DR, PR	DR	Vice CH
	TPI Polene PLC*	LDPE	49.07	-	DR, CEO	DR	DR	DR	DR
	TPI Aromatics PLC*	Aromatics	49.00	-	CH, DE	DE, PR	DE		
	TPI Caprolactam PLC	Caprolactam	48.99	48.99	CH, DE				
	Thai Polyurethane Co.	PU	99.99	-	DE	DE, PR	DE, PR	DE	DE
	Thai ABS Co.	ABS, EPS, PS	99.99	-	DR, CEO	DE, PR	DE, PR	DE	DE
	TPI Polyol Co.	Polyol	99.99	-	DE	DE, PR	DE	DE	DE
	TPI Polyacrylate	PMMA	64.99	-	CH, DE	DE	DE, PR	DE	
	Thai Nitrate Co.	Ammonium	74.99	-	CH, DE				
	Thai Olefins Co.	Olefins	25.00	-	CH, DE				
	Rayong Acethylene Co.	Acethylene			CH, DE	DE	DE		
	Thai Plastic Products Co.	Sale of plastics			DR, CEO	DR	DR		
	Ube Nylon (Thailand) Co.	Nylon chips	19.99	39.99	CH, DE	DE	DE		
	Thai Synthetic Rubbers Co.	Butadiene	49.00	-	DE	DE	DE		
(2) Construction Materials related:									
	TPI Polene PLC*	Cement	49.07	-	DR, CEO	DR	DR	DR	DR
	TPI Concrete Co.	Concrete products	-	99.99	DR				
	Thai Special Steel Industry PLC*	Steel products	-	24.53	DR	DR	DR	DR	
(3) Power Plant-related:									
	TPI Oil Co.	Power plant	99.99	-	CH, DE	DR, PR	DR, PR		
	TPI Energy Co.	Power plant	25.00	-	CH, DE	DE, PR	DE		
	TPI Polene Power Co.	Power plant	-	99.99	CH, DE				
(4) Other Business									
	Rayong Tank Terminal Co.	Tank service	99.99	-	CH, DE	DE, PR	DE, PR	DE	
	Rayong TPI Services Co.	Services	99.65	-	CH, DE	DE	DE		
	Rayong Industrial Gas Co.	Industrial gas	40.00	-	DE	DE	DE		
	TPI Technology Co.	Training center	25.00	-	CH, DE	DE, PR	DE, PR		
	Thai Petrochemical (Cayman)	Investment	100.00	-	CH, DR	DR	DR		

Sources: (1) Suehiro survey; TPI PLC, ed., *TPI Kaosu Phu-nam Rabop Utsahakam Pitorokhemi Khropwongchon*, Bangkok: TPI, December 1996.

(2) Company documents of the Thai Petrochemical Industry PCL according to the Form 56/1 on December 1998.

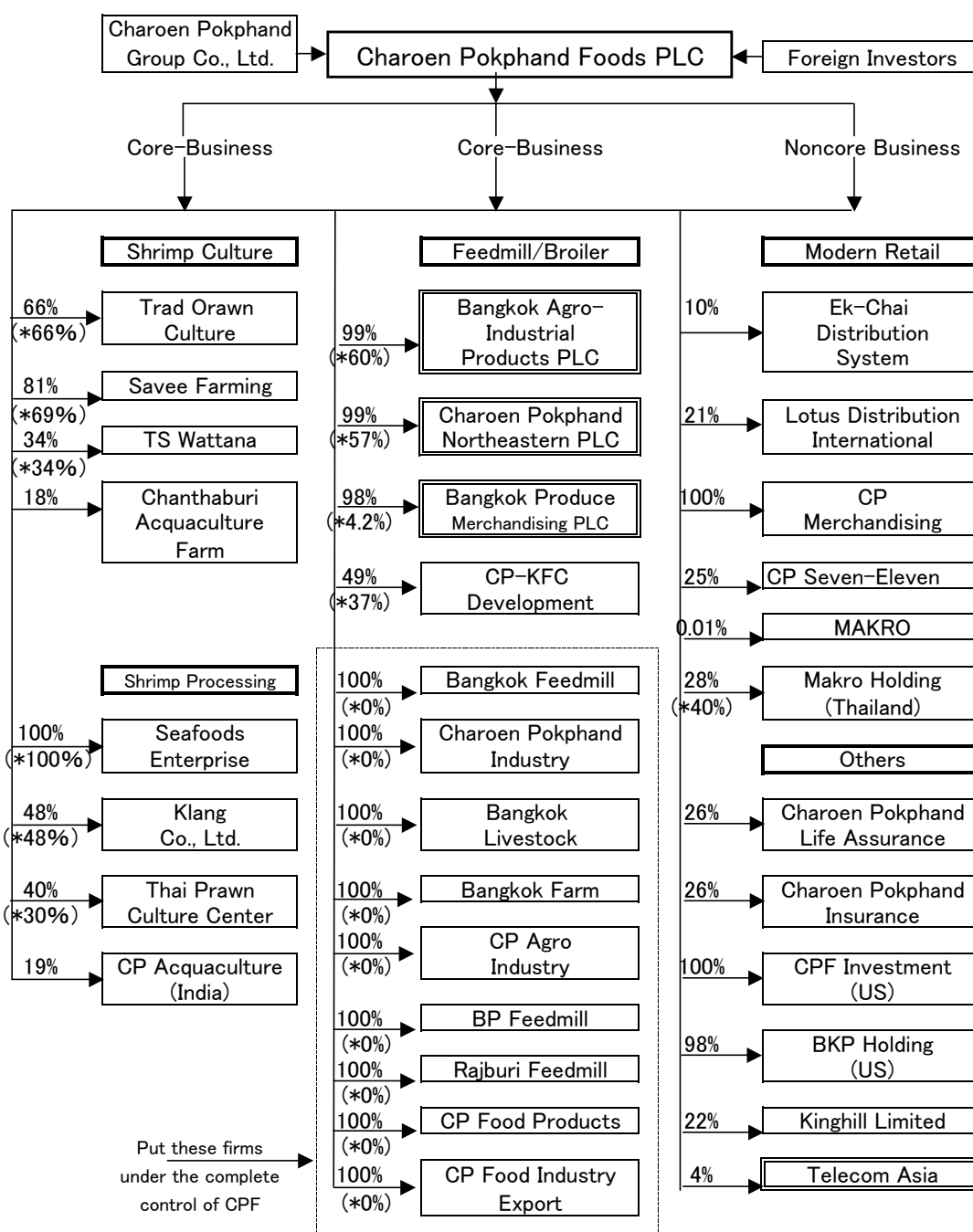
Notes: (1) Prachai is the eldest son of the founder Phorn Leaphairat, Prathip is his second son, Pramuwan is his third son, Malini is his eldest daughter. and San Akusaranukhro is father of Pramuwan's wife.

(2) Prachai, Prathip, and Pramuwan became director and CEO or director and president of the TPI PLC since 1988.

(3) CH: chairman of the Board, DR: director and executive of the Board, DE: director and executive of the Board, CEO: chief executive officer, PR: president or managing director.



**Diagram 9 Ownership Restructuring of the CP Group and CPF PLC Agri-Business Sector (since January 1999)**



Source: Charoen Pokphand Foods PLCL Document compiled by SET.

Note: Percentage: Upper row shows figures in 1999, while lower row in 1998.

**Table 23 Change in Ownership of Charoen Pokphand Foods PLC  
(As of December 1996 and December 1998)**

No.	Name of Shareholders	Dec. 1998	Dec.1996	Notes
1	Charoen Pokphand Group Co., Ltd.	31.40	33.33	Headquarters/investment
*2	DBS Securities Singapore Pte., Ltd.	-	17.05	of the CP group Development Bank of Singapore
2	Thailand Securities Depository Co. for Depositors - foreign	29.65	6.52	Mutual fund institutional investor
3	Thailand Securities Depository Co. for Depositors - local	10.01	-	Mutual fund institutional investor
4	Charoen Pokphand Holdings Co., Ltd.	3.88	-	Investment company of the CP group owners
5	Bangkok Agro-Industrial Products PLC	3.80	5.18	Company of the CP group listed company
6	CT Progressive (Thailand) Ltd.	3.61	4.77	n.a
7	Ying Kee Ltd.	2.29	n.a.	Chinese friend of the CP group owners
8	Bangkok Produce Merchandising PLC	2.16	n.a.	Company of the CP group listed company
9	Thana Holdings Co., Ltd.	1.79	n.a.	Investment company of the CP group owners
10	Bangkok Feedmill Co., Ltd.	1.52	n.a.	Company of the CP group nonlisted company
	Subtotal of the top five Shareholdings by the CP group	78.74 48.16	66.85 38.51	
	Paid-up Capital (Million Baht)	1,744	1,200	
	Total Assets (Million Baht)	40,399	21,967	
	Total Liabilities (Million Baht)	20,522	12,856	
	Debt/Equity Ratio (%)	1.04	1.66	
	Net Profit Margin (%)	8.21	5.21	
	Return on Assets (%)	20.35	6.18	

Notes: Suehiro survey on the basis of two documents.

(1) Company documents compiled by SET, Charoen Pokphand Foods,  
Annual Report 1999, p.37

(2) Alpha Research Co., Ltd., *Thailand Listed Company 1997*, p.80.

**Table 24 Board Members of Charoen Pokphand Foods PLC (As of 1996, June 1998, February 1999)**

No.	Name	Position	Feb. 99	June. 98	Dec. 96	Notes; Career
1	Pol. Gen. Phao Sarasin (69 in February 1999)	Honorary Chairman	x	x	x	*member of one of the most distinguished families in Thailand; Thai Pure Drinks serves as a honorary chairman for other three companies of the CP Group
2	Asa Sarasin	Independent Director	x			*son of Mr. Phao Sarasin.
3	Prof. Atthasit Wechachiwa	Independent Director	x			appointed on 15 February 1999 *Medical doctor, appointed on 15 February 1999 .
4	Thanin Chiarawanon (59 years old)	Chairman	x	x	x	*Leader of the CP Group; fifth son of the founder (Chia Ek Chaw) Chairman of Charoen Pokphand Group Co., Ltd.
5	Sumeth Chiarawanon (64 years old)	Vice-Chairman	x	x	x	*Son of the founder; elder brother by a different mother of Thanin Since the 1940s for the CP Group business
6*	Min Thianwon (62 years old)	Vice-Chairman	x	x	x	*Thia Kiao Pong; in charge of accounting and money from 1950 Employed in the CP group since 1958
7	Dr. Wirawat Kanchanadun (60 years old)	Vice-Chairman	x	x		*In charge of investment planning for the CP group as a whole. Invited to the CP group as a professional since 1979
8	Prasert Phungkuman (62 years old)	Director	x	x	x	*Son-in-law of daughter Thasani of the founder (Chia Shiao Hui) One of five key persons of owner-family members since 1954
9*	Chingchai Lohawattthanakun (59 years old)	CEO	x	x	x	*Former Group President of Acquaculture Employed in the CP group since 1958.
10*	Thirayut Phithayaisarakun (56 years old)	Vice-Chairman	x	x	x	*Former Group President of the Agro Industry Group Employed in the CP group since 1965.
11*	Thanakon Seriburi (53 years old)	President	x	x	x	Former Group President of Automobile Industry Employed in the CP group since 1968.
12	Phonthep Chiarawanon (48 years old)	Director	x	x	x	*Younger brother of Thanin Chiarawanon.
13*	Iam Ngamdamrong (53 years old)	Director	x	x		*Former Group President of the Foreign Trade Business Group Employed in the CP group since 1968.
14	Adirek Sriprathak (52 years old)	Director	x	x		Employed in the CP group since 1964.
15	Phong Wisetphaitun (53 years old)	Director	x	x	x	Employed in the CP group since 1968.
16	Amrungsamphasiwong	Director	x	x		No information

Sources: (1) Company information compiled by the Stock Exchange of Thailand Information Service Center.

(2) Documents of Charoen Pokphand Foods PLC Form 56/1 Report on 25 September 1998; do., Annual Report 1999 etc.

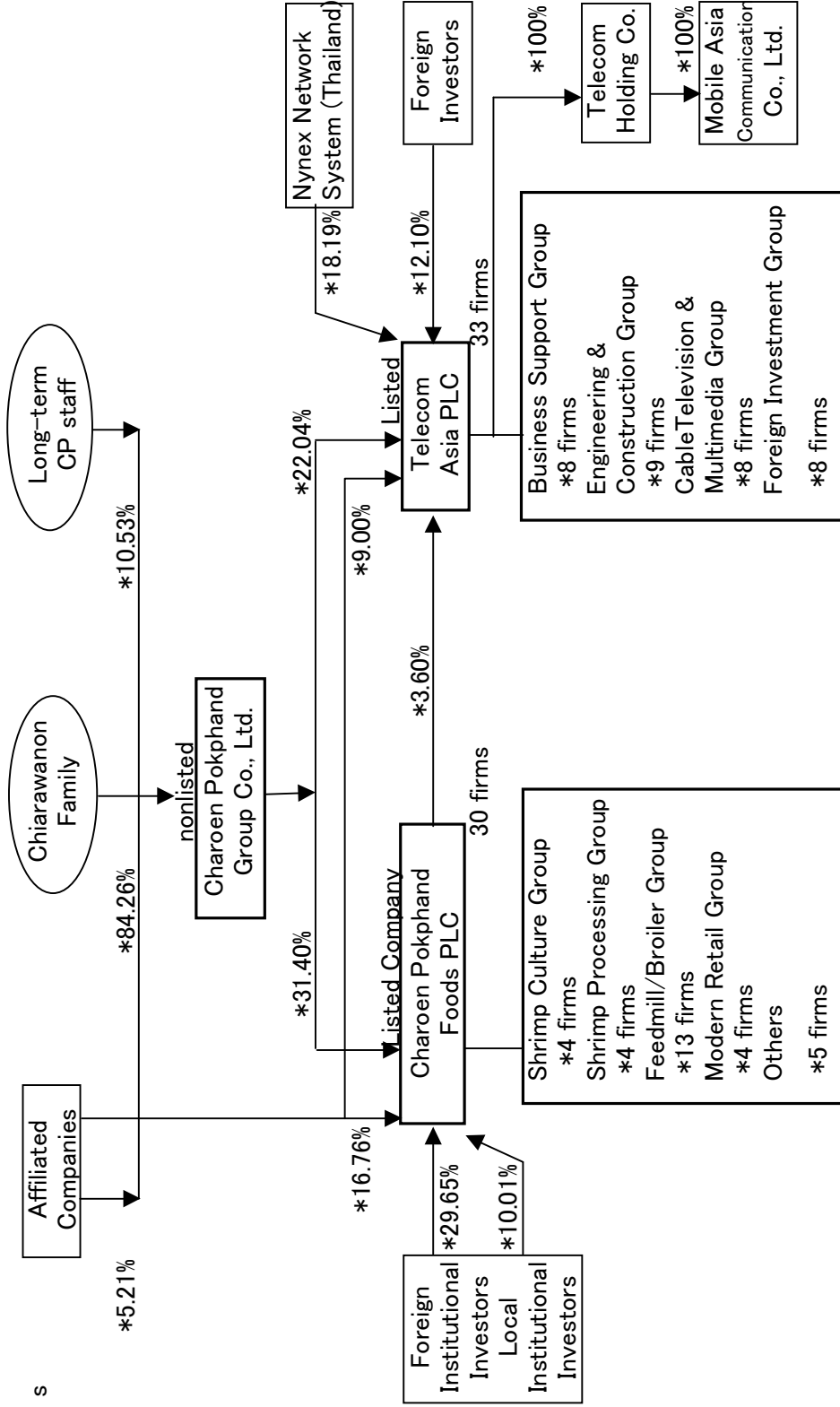
(3) Alpha Research Co., Ltd., *Thailand Listed Company 1997*, Bangkok, 1997.

(4) Thanawat Sap-phaitun, *Thanin Chiarawanon: Phu Kriangkrai nai Yuthachak Nak-thurakit Lok.*, Bangkok: Dapbirlinghn, 1999

(5) Wichai Suwannaban, *CP. Thurakit Rai Phrom Thaen*, Bangkok: Than Setthakit, 1993.

Note: Five persons with asterisk or italic names indicate "Hao Mo Kao" (Old five comrades sharing the same rice bowl).

**Diagram 10 Ownership Structure of the CP Group as A Whole (March 2000)**



Sources: Suehiro survey at the Commercial Registration Department of the Ministry of Commerce and Company Documents compiled by SET in August 2000.

**Table 25A Ownership Structure of the SHIN Corporation PLC**

Shareholders	*2000/3	*1999/2	*1997/10	*1996/8	*1995/8
Thaksin and Pochana Chinawat	36.88	48.75	48.75	48.75	48.75
Banpot Damaphon*	4.91	4.91	1.69	1.47	1.47
Ample Rich Investment (SG)	11.88	-	-	-	-
Singapore Telecom Pte Ltd.	5.48	5.48	5.47	5.47	8.64
American International Assurance	3.15	3.71	4.06	4.68	4.75
HSBC (Singapore) Nominees	3.88	2.50	1.83	1.90	1.31
Chase Nominees Limited	2.77	2.04	2.81	1.95	1.09
State Street Bank & Trust	1.42	3.27	2.79	2.78	1.49
Lloyds Bank Secs Services	-	2.05	-	-	-
Deutsche Borse Clearing AG	-	1.94	-	-	-
Littledown Nominees	1.23	-	-	-	-
Ms. Duangta Wongpakdi	-	-	4.33	4.33	4.33
Bangkok Bank PLC	-	-	0.58	0.58	0.51
Total	71.60	74.65	72.31	71.91	72.34
Thaksin Chinawat Group	53.67	53.66	50.44	50.22	50.22
Foreign Investors	17.93	20.99	16.96	16.78	17.28
Thai Investors	0.00	0.00	4.91	4.91	4.84

Notes: (1) All equity shares held by Thaksin and Pochana were transferred to their eldest son, Phanthongthae Chinawat, their daughter, and Banphot by the end of 2000 because Thaksin became the Political Party leader of Thai Rak Thai.

After the general election in January 2001, Thaksin was appointed Prime Minister.

(2) Banphot is a younger brother of Pochana Chinawat.

(3) Ample Rich Investment is a Thaksin fully-owned investment firm in Singapore.

Source: Company documents of SHIN Corporation Baep 56/1 End of 1999, compiled by SET Investor Service Center (in Thai), pp.102-103.

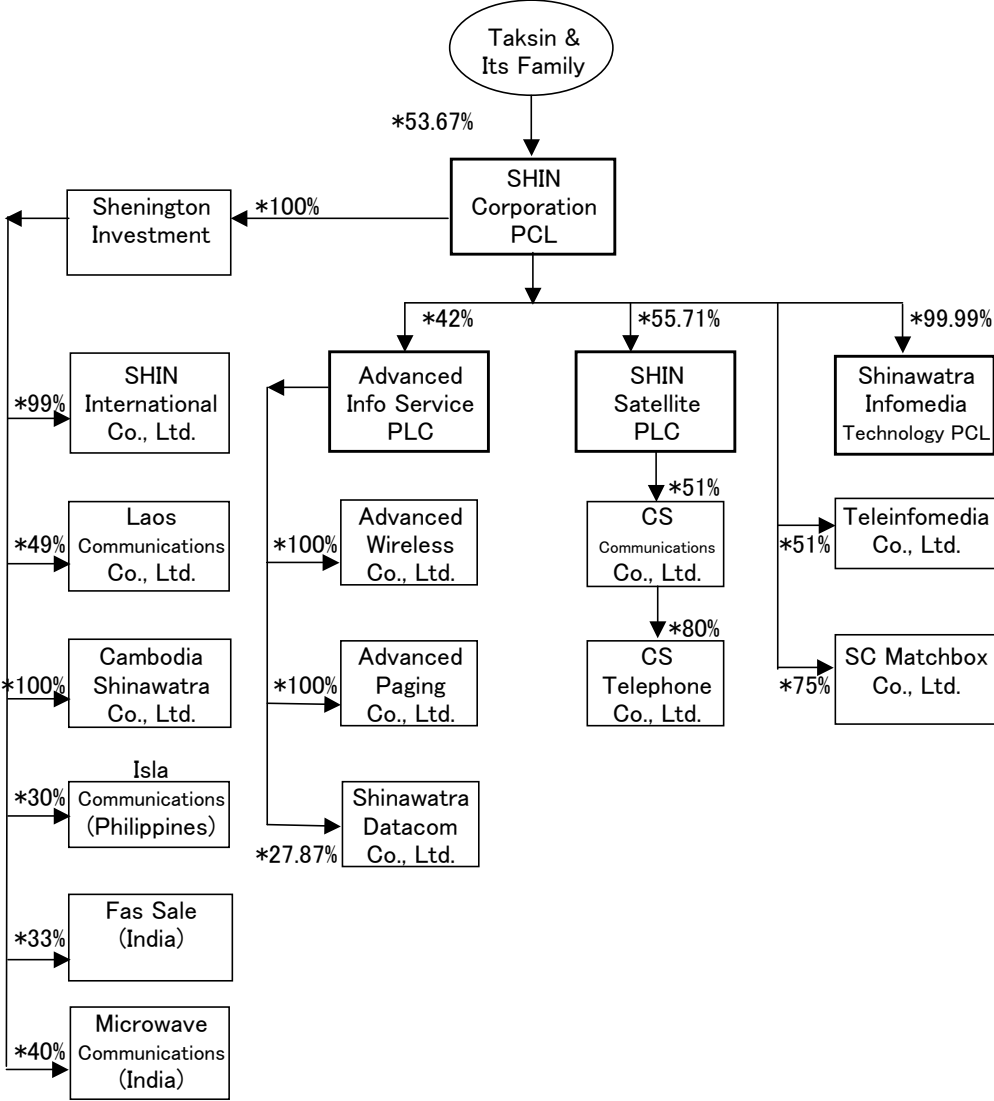
**Table 25B Capital Increase of SHIN Corporation PLC: 1983-2000**

(Unit: Million Baht)

Month/Year	Registered Capital	Paid-in Capital
*June 1983	20	20
*November 1989	50	50
*January 1990	180	180
*August 1990	210	210
*May 1991	220.5	220.5
*May 1991	231	231
*August 1991	693	693
*January 1994	3,000	1,366
*March 1999	3,000	2,772
*March 2000	5,000	2,937

Source: Same as Table 25A

**Diagram 11 Ownership Structure of the SHIN (Shinawatra) Group  
(As of March 2000)**



Note: Suehiro survey on the basis of company documents submitted to SET

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