

EXECUTIVE SUMMARY

This study examines how family ownership, ownership wedge (control–ownership divergence), and investor sentiment shape ESG practices and influence future firm performance among Thai family firms listed on the Stock Exchange of Thailand (SET). Using panel data from 2019 to 2023 and applying methods consistent with international corporate governance literature, the study identifies family firms based on ultimate control, as determined by tracing ownership through multi-tier parent–subsidiary structures. A company is considered family-controlled when the ultimate family owner holds at least 25% voting rights, or 20% with demonstrable governance influence, in alignment with SET’s criteria.

Key Findings

1. Family ownership enhances future performance

Family firms consistently achieve higher future ROA. This reflects long-term orientation, stability in strategic decision-making, and the stewardship characteristics typical of Thai family businesses.

2. ESG does not guarantee short-term financial gains

Overall ESG performance, especially activities related to the environment and society, does not improve short-term profitability. In family firms, environmental and social initiatives tend to lower next-year ROA when they require significant resources or are not tightly integrated with the firm’s core business strategy.

3. Ownership wedge supports the financial effectiveness of ESG in family firms

Although a larger ownership wedge does not lead to higher ESG scores, it helps family firms manage ESG more effectively. When families have stronger control rights, they are better able to steer environmental and social activities in ways that reduce the usual financial drawbacks. Concentrated control allows families to align sustainability work more closely with long-term strategic goals.

4. Governance (GOV) shows no financial benefit

Governance scores do not improve next-year ROA. This suggests that formal governance systems may overlap with long-standing family oversight mechanisms and therefore contribute limited additional value.

5. Investor sentiment boosts ESG, but not profits

When market sentiment is high, firms generally expand their ESG activities, particularly in environmental and social areas. However, this increase does not translate into stronger future profitability. This suggests that many of these initiatives may be reactive responses to market expectations rather than being fully integrated into long-term business strategy.

Implications for Listed Companies

- ESG activities create value only when they are strategically integrated into core operations, particularly in firms with concentrated family control that can guide long-term sustainability direction.
- Companies should be cautious about expanding ESG activities solely in response to short-term market sentiment. Instead, sustainability initiatives should be aligned with long-term strategic priorities and operational capabilities.
- Governance enhancements should complement, not duplicate, existing family oversight mechanisms. Effective governance design should strengthen decision-making without adding unnecessary layers.
- Firms with complex or multi-level ownership structures should improve disclosure of ultimate ownership and control. Greater transparency supports investor confidence and allows stakeholders to better assess governance quality.

Policy Recommendations

- Improve the quality and consistency of ESG reporting, encouraging firms to emphasize sustainability initiatives that have operational relevance and long-term impact.
- Strengthen ownership disclosure requirements, with clearer reporting on ultimate controlling shareholders, to increase transparency in companies with pyramidal or multi-tier control structures.
- Develop capacity-building programs for family firms, including training in sustainability strategy, ESG risk management, and intergenerational governance, to help firms embed ESG more effectively into long-term value creation.