

Executive Summary
Family Business Governance and Resilience in Thai Listed Companies:
The Moderating Role of Adaptability

This study examines the relationship between family business governance and business resilience among Thai listed companies during 2020-2024, with particular attention to how organizational adaptability influences this relationship. Drawing on data from 2,721 firm-year observations across 544 family-owned enterprises, the research investigates whether governance structures enhance resilience and whether operational flexibility conditions these effects.

Family businesses dominate the Thai capital market landscape in terms of both the number of listed entities and their collective market valuation, highlighting their critical importance to the national economy. This research examines governance through two distinct dimensions: family ownership structure, distinguishing between direct individual ownership and indirect corporate ownership, and governance quality, measured through a comprehensive disclosure-based scoring system. Resilience is operationalized through seven financial indicators spanning liquidity, solvency, profitability, and cash flow measures. Adaptability is examined through three operational efficiency dimensions: asset turnover ratio, inventory turnover ratio, and operating expense ratio.

Descriptive analysis reveals that Corporate Governance Scores among Thai family businesses showed a clear upward trend throughout the observation period, suggesting gradual strengthening of governance disclosures and practices over time with greater consistency across firms. The sample comprises predominantly direct family ownership structures, while indirect ownership through corporate entities accounts for a substantial minority of observations.

The findings reveal that governance effects on resilience are domain-specific rather than universal. Both indirect ownership structures and higher governance quality demonstrate consistent positive relationships with profitability resilience. Firms employing indirect ownership through corporate entities achieve substantially higher returns on equity and net profit margins compared to firms with direct family ownership. Similarly, improvements in governance score associate with meaningful increases across all profitability measures. These patterns suggest that professionalized ownership structures and formal governance practices enhance financial performance through improved operational efficiency and strategic decision-making.

However, both governance dimensions show negative relationships with liquidity ratios, a counterintuitive pattern that likely reflects strategic capital deployment choices rather than financial weakness. Well-governed family firms appear to maintain leaner liquidity positions, choosing to deploy capital in productive investments rather than holding excess liquid assets, supported by concurrent positive profitability relationships. This challenges traditional assumptions equating high liquidity with strong financial health. For solvency and cash flow resilience, governance demonstrates minimal direct effects, indicating that governance primarily influences operational performance rather than capital structure decisions.

The moderating role of adaptability reveals complex contingencies fundamentally shaping governance effectiveness. Inventory turnover ratio emerges as the most powerful positive moderator, consistently amplifying governance benefits across profitability measures. The combination of indirect ownership structures with high inventory turnover produces exceptional profit margins, representing the strongest moderation effect in the study. This pattern suggests that professionalized management systems achieve their greatest impact through supply chain excellence and working capital optimization, indicating that governance sophistication and operational excellence represent mutually reinforcing sources of competitive advantage.

Conversely, asset turnover ratio demonstrates unexpected negative moderation effects. At very high efficiency levels, profitability advantages associated with better governance diminish substantially. This suggests that governance structures designed for strategic planning create less value in operationally intensive contexts. Firms with extremely high asset turnover typically operate in trading, retail, or service sectors where thin margins and intense competition leave little room for governance sophistication to create advantage. Similarly, operating expense ratio shows consistently negative moderation effects, with high-cost ratios constraining governance effectiveness and indicating that operational efficiency provides a necessary foundation for governance practices to generate performance benefits.

These findings carry important implications for stakeholders. Family business owners should recognize that governance investments yield maximum returns when paired with operational capability development, particularly in inventory and supply chain management, with effectiveness contingent on industry context and operational readiness. Policymakers should consider enhancing disclosure requirements to capture ownership structures more clearly and develop targeted support programs helping family businesses transition to more professionalized structures. Investors should incorporate ownership structure and operational context into governance assessments, recognizing that governance value depends critically on complementary capabilities, particularly inventory management efficiency.

The study contributes theoretically by demonstrating that governance effects operate through specific performance channels rather than universally, identifying inventory management efficiency as a key complementary capability, and revealing important boundary conditions where asset efficiency and cost structure create contingencies limiting governance advantages. An important limitation is that governance scores rely exclusively on publicly disclosed information, potentially underestimating actual governance quality in firms maintaining effective informal governance mechanisms rooted in family relationships, trust, and shared values particularly important in the Thai cultural context. These insights challenge universal governance recommendations and support contingency perspectives emphasizing context-dependent strategies for emerging market contexts.