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KUALA LUMPUR (Jan 17): Nearly one-third or 31% of Malaysian family businesses have no succession plan in place, according to a new survey by PricewaterhouseCoopers (PwC).

This is versus 43% of family businesses worldwide.

"Only 15% (of the 48 Malaysian family businesses surveyed) have a robust, documented and communicated succession plan in place," PwC said in its *Family Business Survey 2016 (The Malaysian Chapter)* released today.

It is thus not surprising that the bulk, or 62%, of Malaysian family businesses identify succession planning within the company as a key challenge in the next five years.

PwC found that while some family firms are managing strategic planning well, many are caught between the deluge of everyday issues and the weight of inter-generational expectations.

"In the current economic climate, key short term issues that family businesses in Malaysia are facing include volatile market conditions and the recruitment of suitably-skilled staff," it said.

PwC noted Malaysian family businesses must focus their efforts in formulating a robust strategic plan, if they want to successfully carry on their legacy into the future generations.

"For many, day-to-day operational activities appear to take precedence over strategic planning that can ensure future growth," it said.

Indeed, the survey revealed that 19% of family businesses in Malaysia aim to grow quickly and aggressively in the next five years.

"However, many local family businesses lack a strategic plan that links where the business is now to the long term, referred to as the 'missing middle' in the survey. With a lack of emphasis in strategic planning, the road towards success is down to luck, which is clearly not ideal.

"But this issue is not unique to Malaysia. The strategy gap is one of the key trends observed among family businesses globally, a concern that's amplified in Asia-Pacific, where businesses have the most ambitious growth plans," said PwC.

"It is encouraging to note that 54% of Malaysian family businesses are keen to reinvent themselves with each generation, in response to the changing business landscape. However, without a robust and properly communicated succession plan, not only will these aspirations remain as lofty ambitions, the entire business may risk failing," PwC Malaysia's entrepreneurial and private clients

leader and senior executive director Fung Mei Lin said in a statement.

"Considering that 69% of family businesses already have next generation family members working in the business, they can't afford to let the lack of a strategic plan limit them in their growth ambitions," she added.

Fung highlighted that succession planning is more than just identifying the right person to take over the current generation's role.

"It is the embodiment of the overall decision making process within the family business, making the values and aspirations of the current generation real for the future generations to come.

"It also ensures that the aims of the owners and the family, and the objectives of the firm are properly aligned over the medium to long term," she said.

Increasingly, many family businesses recognise it is not necessary to have only family members manage the business, as they adapt to the rapidly-evolving environment.

The survey revealed that 54% of family businesses foresee they will bring in non-family professionals to help run the business in the next five years.

"Thirty-eight per cent plan to pass on ownership, but bring in professional management," said PwC.

The survey also found that Malaysian family businesses are keen to capitalise on technological trends and also grow the business differently.

"Fifty-six per cent understand the tangible benefits of moving to digital and have tangible plans for measuring them, while 33% want to establish new entrepreneurial ventures.

"Given the uncertain economic environment, increasingly, family businesses will be tested by how well they manage multiple generations working in the business, and how they align the business strategy into their overall family strategy," said PwC.

This year, PwC interviewed over 2,800 family businesses in 50 countries, including Malaysia between May and August 2016, with turnovers ranging from US\$5 million to over US\$1 billion.

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