

Succession plan **key** to family business growth

> About 62% identify it as a challenge in next five years, says PwC Malaysia survey

KUALA LUMPUR: About 62% of Malaysian family businesses identify succession planning within the company as a key challenge in the next five years, according to PwC's Family Business Survey 2016 (The Malaysian Chapter).

In Malaysia, out of the 48 family businesses surveyed, 31% have no succession plan in place versus 43% globally, while only 15% have a robust, documented and communicated succession plan in place.

About 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.

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.

PwC Malaysia entrepreneurial & private clients leader and senior executive director Fung Mei Lin said 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.

"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."

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.

Increasingly many family businesses recognise that it is not necessary to have only family members manage the business as they adapt to the rapidly evolving environment. About 54% of family businesses foresee that they will bring in non-family professionals to help run the business in the next five years, while 38% plan to pass on ownership but bring in professional management.

As the number of family shareholders grow, the introduction of corporate and family governance can be a significant advantage to segregate what is family and what is business.