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Family Business Survey 2016

The Malaysian Chapter



The ‘missing middle’:

Bridging the strategy gap in family firms

This is the 8th PwC Family Business Survey and it's the largest yet. We spoke to firms across 50 countries at various stages of growth - some approaching their first generational transition, and others that can measure their longevity in centuries. We talked to founders, next gens, and professional CEOs and discussed global megatrends such as digital and globalisation, and the challenges of 'keeping it in the family'.

Key issues remain consistent year-on-year, but there is also change. In 2012, the dominant themes were skills, scale and succession. By 2014, this evolved to a focus on the need to professionalise both the business and the family. This agenda is far from complete, though progress is being made.

This year, the shift is perhaps more fundamental: from the short term and tactical, to the medium term and strategic. The challenge is in the middle - having a strategic plan that links where the business is now to the long term. This is what we are referring to as the 'missing middle'.

In Malaysia, we spoke to 48 Malaysian family businesses to get an understanding of the key issues currently on top of their minds. 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.

However, it is heartening to know that ensuring the long term future of the business is the key goal for respondents in Malaysia as it is globally.

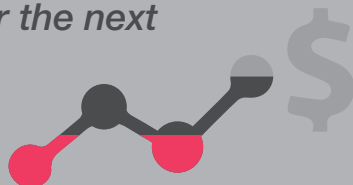
In this report, we take a quick look at the key findings from the Malaysian results as well as hear from two family business leaders who share their experiences on professionalising the family firm and the importance of family values.

Key Findings

In our latest Family Business Survey, we find 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. Explore the key findings from the Malaysian chapter of the survey where we spoke to 48 family businesses.

Growth ambition

Growth aims over the next



19% aim to grow quickly and aggressively while **21%** intend to consolidate

Future shape of the business



54%

Majority of revenues from same products/services



54%

Bring in non-family professionals to help run the business

Key differentiators for family businesses in Malaysia



70%

Stronger cultures and values

Key challenges

Over the next 5 years



62%

Succession planning within the company

Succession

Next generation in the business



69%

of family businesses in Malaysia have next generation family members working in the business

31%

have no succession plan in place



and only

15%

have a robust, documented and communicated succession plan



65%

Decision making is faster/ more streamlined



54%

More entrepreneurial



60%

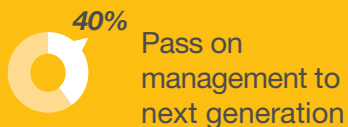
Need to continually innovate to keep ahead



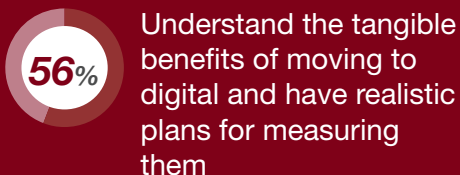
58%

Ability to attract and retain the right talent

Future ownership plans for the business



Readiness for the digital age



Family conflict management procedures

Procedures / mechanisms in place to deal with family conflict

Measuring and appraising performance

54%

Incapacity and death arrangements

40%

Family councils

35%





Case Studies

Writing down the ‘unwritten rules’: Professionalisation in Malaysia

The Malaysian conglomerate AZRB is a good example of many of the themes brought out in this year’s survey. The company was founded in 1982 by a strong and visionary entrepreneur, and by 2010 had grown into a company with total assets amounting to US\$417m, trading in Asia and the Middle East, with interests in construction, infrastructure, plantation, Oil & Gas, and property development. The company was, undoubtedly, a huge success, but it has started to face issues that could only be resolved by taking a more professional approach to day-to-day operations, and a more formalised approach to business strategy.

Dato’ Haji Roslan bin Tan Sri Jaffar, the founder’s son-in-law, joined the business in 2010, after training as an accountant with PwC. He has since taken on the role of professionalising the way the family firm operates, drawing on his experience with public companies, and in other sectors.

“We had reached the point where we were starting to be held back by our back office – it just wasn’t keeping up. So I spent my first five years here strengthening

and streamlining our corporate functions. We also needed to adjust things like the entities we used to bid for specific projects, to make sure the liabilities were held and managed in the right part of the business. We now have a proper headquarters function, with dedicated legal, finance, risk, and strategy teams, and much better systems supporting them. It’s made a huge difference.

“Though there are still things that a family firm does differently: for example, we don’t do the same degree of risk assessment a public company would when it comes to new ventures. We do look at the risks, but when it comes to making a decision, it’s much more about gut feel and experience.”

Reputation is also extremely important – “The company reflects on the founder, and he is very careful about whom he employs, even from within the family. When the Malaysian economy hit difficulties a few years ago, many construction companies



pulled out midway through the government infrastructure projects because they knew they were going to make a loss. But we didn't. It was a matter of pride for us to keep our promises and see the contracts through to the end."

Dato' Roslan is now spearheading strategy development for the longer term. "I had to start thinking long term the moment I joined the business. We'd got where we were by being really flexible and entrepreneurial, but there comes a point when you need rules. We had a lot of unwritten rules, but they can start to get in the way eventually, especially when you bring in new people who can't be expected to know them all. Professionalisation is an ongoing journey, but I see it as my mission to make us more resilient in the face of any future downturns. To make us stronger for the future."

**Dato' Haji
Roslan bin Tan
Sri Jaffar,**

.....
Group Chief
Operating
Officer, Ahmad
Zaki Resources
Berhad (AZRB)

Case Studies



The importance of harmony: Family values in Malaysia

Tohtonku Sdn Bhd is a major player in the personal care products sector in Malaysia, and stands out from many other family firms in the region by having made it successfully to its third generation. It was set up in the '60s by Lim Joi Him, and in the half century since then has grown its portfolio to over 200 products, some of them market leaders. It's also a significant regional player, selling all over Southeast Asia including Japan, Hong Kong, Singapore, Thailand, Indonesia, Myanmar, Brunei, Pakistan, and Sri Lanka.

Personal care is a particularly fast-moving segment, driven by changes in consumer taste, new fashion, celebrity endorsement, and new product development. Tohtonku's work in this area is managed by a member of its third generation - Jasper Lim, its Executive Director.

"We use some of the region's best-known celebrities to promote our brands, and we're always looking for the next big thing and the next important fashion trend. We think our own staff are one of the best

resources we have to capture how our consumers are thinking, and we encourage a working environment where new ideas can come from anywhere, not just an office marked 'Innovation'. And once we have a new brand it's all about achieving market share, which means clever marketing, and an efficient production operation."

This inclusive culture reflects the values which are important to the family, and which they apply within the business as well. "For us, values are as important as profits – not more important, but equally important. My father cares as much for the welfare of the staff as he does for the family itself. Some of our staff have been here for decades, and many work long beyond their official retirement age, because they feel part of something. We want to contribute positively to the economy and the social welfare of the nation, and we believe our values of humility, trust, growth, and service are the best way to do that.



The same values have helped the family manage its own affairs, especially in an increasingly fast-moving world which is utterly unlike the business environment Lim Joi Him first knew.

“I think the secret to our success is that we understand the importance of harmony. There will always be some disagreements among family members, and differences of opinion about the direction we should take, but we give each other the benefit of the doubt instead of immediately passing judgements. We make an effort to clarify and understand the issue before we come to conclusions. We eat and breathe this company - it completely dominates our lives, and that makes us stronger as a family, stronger as a business, because our customers really respond to the strong values and heritage of family-owned firms.”

Jasper Lim,
Executive Director,

Tohtonku Sdn Bhd,
Consumer products
retailer, Malaysia

Contacts

**Fung Mei Lin**

*Entrepreneurial & Private
Clients Leader
PwC Malaysia*
Tel: +60 (3) 2173 1505
mei.lin.fung@my.pwc.com

**Mark Pui**

*Executive Director
PwC Malaysia*
Tel: +60 (3) 2173 1378
mark.pui@my.pwc.com

**Albert Lee**

*Senior Executive Director
PwC Malaysia*
Tel: +60 (3) 2173 1082
lee.a@my.pwc.com

**Michelle Chuo**

*Managing Consultant
PwC Malaysia*
Tel: +60 (3) 2173 1289
michelle.sy.chuo@my.pwc.com

**Gan Wee Fong**

*Senior Executive Director
PwC Malaysia*
Tel: +60 (3) 2173 0700
wee.fong.gan@my.pwc.com

**Tan Eng Cheng**

*Executive Director
PwC Malaysia*
Tel: +60 (3) 2173 1049
eng.cheng.tan@my.pwc.com

**Dominic Chegne**

*Executive Director
PwC Malaysia*
Tel: +60 (3) 2173 1249
dominic.hk.chegne@my.pwc.com

**Loke Shu Kew**

*Executive Director
PwC Malaysia*
Tel: +60 (3) 2173 1766
shu.kew.loke@my.pwc.com

Southern Region



Benedict Francis

Senior Executive Director

PwC Malaysia

Tel: +60 (7) 2186 118

benedict.francis@my.pwc.com

Northern Region



Lim Huck Khiam

Partner

PwC Malaysia

Tel: +60 (4) 2389 128

huck.khiam.lim@my.pwc.com



