

Business families in Southeast Asia **keen on preserving wealth**

SHOW FAITH IN NEXT GENERATION TAKING MANAGEMENT CONTROL: SURVEY

THE NATION

NEARLY 90 per cent of business families in the region surveyed in a recent poll indicated that management succession is important to them, while 81 per cent believed that the next generation would be able to manage the family business, according to Singapore Management University's Business Family Institute.

"The findings of the survey highlight numerous areas that owners, management and family members can take note of in ensuring the efficacious success of business families and preservation of family wealth for future generations," Tam Chee Chong, managing partner of financial advisory services at Deloitte Southeast Asia, said yesterday.

The institute has partnered with Deloitte Southeast Asia in pioneering research on "Asian Business Families Succession - Going the Distance with the Next Generation".

The inaugural survey, made possible by a grant from Deloitte Southeast Asia, from August-October covered Singapore, Indonesia, Malaysia, Thailand, the Philippines and Vietnam.

It provides thought leadership on the current sentiments of business families on succession issues, as well as the strategies and structures related to next-generation training and non-family advisers facilitating such business transitions.

There was generational consensus that the next generation should take over management control of the family business in their 30s and 40s.

About 46 per cent of the business families felt that they were in the developmental stage of the succession planning process, and on average, the findings indicate that a full cycle would take at least 25 years.

The medium-term (three to five years) priorities of the families were expanding into new markets (80 per cent), growing new lines of business (70 per cent) and research and development (61 per cent). Mergers and acquisitions features as a long-term (five to 10 years) priority for 51 per cent.

To facilitate the pursuit of their business priorities as well as management succession, the families felt that they would benefit from training and development in three broad areas of family, investments and succession, covering specific subjects such as conflict and communication, family governance, family leadership and family talent development, family investments, family office, trans-generational

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entrepreneurship and succession planning.

Trusted non-family advisers have a significant role to play in facilitating the succession of family businesses. They were viewed as a valuable resource to facilitate succession transition, for instance when there is a lack of internal family talent, to avoid potential family conflicts, balance the needs of the business and the family and effect change management for the business.

Most of the families also felt that it would be beneficial to have trusted non-family advisers to mentor the next generation for critical roles in the business, exercise objective judgement with minimal emotions, facilitate succession and manage conflict.

In fact, a significant 77 per cent indicated that they would be open to non-family advisers facilitating succession.

Given the challenges of succession planning, families felt that developing a clear succession plan involving the next generation and trusted non-family advisers would facilitate the transition.

Assoc Professor Annie Koh, vice president of business development and external relations for the university and academic director of BFI@SMU, said that compared to the United States and Europe, family businesses in Asia are still in their infancy stages.

"There are also limited research data and resources available in this part of the world. The knowledge that we have been able to gather from this pioneering study is going to be very valuable and insightful to Asian business families, and will facilitate

openness and learning, knowing that they are not alone in wanting more developmental platforms to facilitate succession," she said.

"In particular for BFI@SMU, the insights on their business priorities and the desired training for their next generation, as well as how they view the participatory role of trusted non-family advisers, are certainly affirmation that we are well-serving their needs of enhancing the quality and lifespan of their businesses," she said.

Tam said Deloitte has worked with many business families over the years whose vitality, stability and dynamism have contributed significantly to the business landscape of the region.

"At Deloitte, our work with these business families goes beyond providing audit and tax services. By understanding their concerns and aspirations, we endeavour to be trusted advisers to these business families."