

**OPEN FOR SALE**  
**STAY, SHOP & STUDY ALL IN ONE PIECE**

**ASK US NOW**

**PRINCETON SUITES**

HQC 2020-2021

edusentral  
MAYIA ALAM

HGX Capital Group

(<https://www.edusentral.net/princeton-suites>)

Search...



## When your next of kin is not keen

By Contributor(<https://focusmalaysia.my/author/contributor/>) | 02/05/2021(<https://focusmalaysia.my/2021/02/05/>) |  
in Opinion (<https://focusmalaysia.my/category/opinion/>)



*By Dr Jesrina Ann Xavier and Datin Alice Neow*



WITH so many changes in society and demographics, family businesses in different parts of the world are exposed to novel challenges that make traditional methods of succession no longer appropriate.

Are businesses in Malaysia doing enough to ensure the sustainability of their treasured family firms?

The Successful Transgenerational Entrepreneurship Practices (STEP) 2019 Global Family Business survey by KPMG revealed that 70% of current family business leaders do not have a succession plan in place.

However, it also shows that 47% of current family business leaders report having an emergency plan for succession in unexpected events.

Research shows that 70% of Malaysian companies are family-owned businesses. Through the 2018 Family Business survey by PricewaterhouseCoopers (PwC), it was discovered that close to 90% of Malaysian family businesses had encouraged family members to work in the business, while 80% of Malaysian family businesses have the next generation of family members working in the business. Yet, only 23% have a robust succession plan, while 55% have an informal succession plan.

### **So, what is the importance of having a proper succession plan for family businesses?**

Family businesses are unique institutions. And amongst the many challenges faced in family businesses, succession is the most important issue. For a family business to outlive its founder, it must experience succession.

Thus, succession creates the central issue that must be addressed so that family businesses can survive and be passed on through generations.

Family business leaders are keenly aware that the continued survival of the family businesses depends on preparing and having the right person in the right place at the right time.

The impact on business continuity would be devastating if a successor were suddenly required, and especially if none had been identified.

### **Should a succession plan always be linear?**

Despite the lack of formal succession planning, family business leaders around the world have reported that they would prefer if the business stays under the ownership of the family. ^



*Dr Jesrina Ann Xavier*

It is always believed that the succession process in a family business is supposed to be linear, suggesting the transfer of business leadership from a family member of the current generation (parent) to one belonging to the next generation (child).

However, this may not always be the case as there are various ways for succession to occur, as succession is not always straightforward.

<b>Types of Succession</b>	<b>Succession Process</b>
Linear Succession	The preferable succession process of all. The transfer of ownership and leadership from the current generation (G1), usually either the patriarch or matriarch, to the next generation that is the child (G2).
Discontinuous Succession	The transfer of ownership and leadership skips a generation, for instance, from the first generation (G1) to the third generation (G3). A succession of this kind happens when the patriarch sees the right candidate in his grandchild instead of his child.
Intra-Generational Succession	The transfer of ownership and leadership from the same generation (G1 to G1), it is not unusual in siblings-owned firms, when the next generation may not be ready or too young to take over the helm.
Reverse Succession	This transfer of ownership and leadership is the opposite of linear succession, where the succession is reverted from the younger generation (G2) to the older generation (G1). Such an event may happen when the younger generation is found to be incompetent or not entirely ready for the role.

*Source: STEP 2019 Global Family Business Survey (KPMG)*

## **What can be done if the next of kin, is not keen?**

In general, the family business founder would wish to appoint his offspring to lead the business and allow the company to provide employment opportunities to the rest of the family members.

Traditionally, family business owners seek their trusted advisors, namely accountants and lawyers, to plan their succession. However, not all succession happened as planned. Some offspring may decide to pursue their interests and not join the family business at all. When this happens, the family business owners usually seek other avenues to strategize their succession.

Over recent years, research has found the emergence of executive coaching in family business succession. There is a wide range of delicate issues induced by succession related to relationships between family members.

Therefore, executive coaching has been in demand as they are willing to face these issues, providing impartial and professional consulting. Executive coaches can ease the succession process which could contribute to the success of the transfer of leadership, whilst maintaining the harmony of the family.

Coaching helps identify, select, and train the potential successor, while communicating the succession decision to family members, and strategizing the future of these businesses.

This makes succession less traumatizing for the incoming leader and allows the predecessor to prepare the successor suitably. Having a clear plan may attract the next of kin to be more involved in the process.

Less than a third of the family business population experiences a successful transfer of leadership. The transition typically occurs due to retirement, illness or untimely death, with or without a plan.

To sustain the family business, leaders must take the initiative to start planning for succession.

As aptly put by Marketing Week Magazine, “*Choosing a successor-in-chief is one of the most important decisions made by any organization, whether it is the cardinals in Rome selecting the next Pope or the United Kingdom wondering if the anointed successor is up to the job of King*”. – Feb 5, 2021



Datin Alice Neow

***Dr Jesrina Ann Xavier is the programme director at the Faculty of Business and Law, Taylor’s University and Datin Alice Neow is currently pursuing her Doctor of Philosophy (PhD) at the Faculty of Business and Law, Taylor’s University.***

*The views expressed are solely of the author and do not necessarily reflect those of Focus Malaysia.*



Subscribe and get top news delivered to your Inbox everyday for FREE

SUBSCRIBE





## Most Viewed



(<https://focusmalaysia.my/business/forbes-pandemic-creates-instant-ultra-rich-due-to-phenomenal-demand-for-gloves/>)

**Forbes: Pandemic creates instant “ultra-rich” due to phenomenal demand for gloves** (<https://focusmalaysia.my/business/forbes-pandemic-creates-instant-ultra-rich-due-to-phenomenal-demand-for-gloves/>)

39 mins ago



(<https://focusmalaysia.my/business/ceos-get-massive-pay-cuts-for-some-hard-to-forgive-mistakes/>)

**CEOs get massive pay cuts for some hard-to-forgive mistakes** (<https://focusmalaysia.my/business/ceos-get-massive-pay-cuts-for-some-hard-to-forgive-mistakes/>)

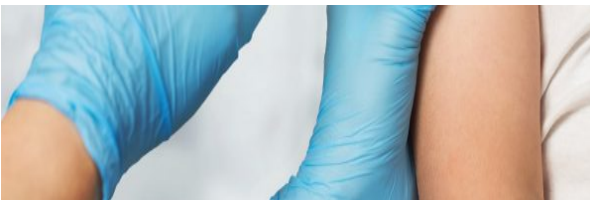
2 hours ago



**Are Malaysians ready for the vaccine shots when it arrives?** (<https://focusmalaysia.my/mainstream/are-malaysians-ready-for-the-vaccine-shots-when-it-arrives/>)

3 hours ago





(<https://focusmalaysia.my/mainstream/are-malaysians-ready-for-the-vaccine-shots-when-it-arrives/>)



(<https://focusmalaysia.my/top/investors-eyeing-hospitality-shares-as-vaccinations-in-us-picks-up/>)

**Investors eyeing hospitality shares as vaccinations in US picks up**  
(<https://focusmalaysia.my/top/investors-eyeing-hospitality-shares-as-vaccinations-in-us-picks-up/>)

3 hours ago



(<https://focusmalaysia.my/business/two-companies-establish-joint-venture-to-improve-indonesias-covid-19-situation/>)

**Two companies establish joint venture to improve Indonesia's COVID-19 situation**  
(<https://focusmalaysia.my/business/two-companies-establish-joint-venture-to-improve-indonesias-covid-19-situation/>)

14 hours ago

## About Us

Editorial(/editorial/)  
Advertise With Us(/advertise-with-us)  
Privacy Policy(/privacy-policy/)  
Terms of Use(/terms-of-use/)  
Facebook  
Twitter  
LinkedIn  
YouTube  
RSS  
Archive



(<http://read.focusmalaysia.my/epaper/>)

FREE TOP NEWS DELIVERED

Daily top news delivered to your inbox FREE. Subscribe to enjoy privilege.

SUBSCRIBE  
([HTTP://EEPURL.COM/DDXGLR](http://EEPURL.COM/DDXGLR))

