

Succession Planning: Top Priority for South East Asian Family Businesses

A recent report published by The Economist Intelligence Unit (TEUI) has found that 67% of family businesses in Southeast Asia have implemented formal succession plans, as 74% of senior executives believed that they are integral for growth and attracting investments. Kevin Plumberg, senior editor (Asia) at TEUI and author of the report said that family-owned businesses that had succession plans in place were more likely to attract investment because they were perceived to be trustworthy. *"Family businesses are the backbone of south-east Asia's economy. It's a sign of their maturity that they are making leadership succession planning a part of their long-term business strategies,"* Plumberg said.

The report that was commissioned by Malaysia's Labuan International Business and Financial Centre, was based on a sample study of 250 majority family-owned businesses from Indonesia, Malaysia, the Philippines, Singapore and Thailand. As per the report, though the majority of family businesses said that they had a formal succession plan, only around half of senior executives expected their ownership structures to remain the same in the next 10 years. The report found that 12% family businesses believed that they will require external advisers to resolve business ownership conflicts among family members in the next five years. However, this figure was expected to reach 35% in the next 10 years.

Family-owned businesses constitute more than 60% of all listed companies in south-east Asia and they regularly outperform non-family companies. The report findings are a testimony to the growing importance that South East Asian family managements attach to developing formal plans for business succession.

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