

TheStar

Succession planning is key to family business continuity



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Sun Life Malaysia encourages family enterprises to review their health and protection insurance for their employees as part of their longer-term business continuity planning.

In this pandemic, sustaining generational wealth is more important than ever

FAMILY businesses that have transcended generations are a cornerstone of the economic sector. Particularly in Malaysia, such businesses are part of the nation's economic foundation.

Today, the growing footprint of Malaysian family-owned businesses can be seen across key business sectors – from manufacturing, property development to financial services, leaving a deep impact on both employment creation and GDP growth of the nation.

Having withstood the test of time, family businesses are inherently resilient. However, according to life insurance and family takaful provider Sun Life Malaysia, many family businesses have been impacted by disruptions caused by the pandemic, although the degree may vary from business to business, which complicates wealth and risk management.



Lew believes the pandemic has accentuated the need for diverse financial solutions to help family business mitigate risks and build long-term business resilience.

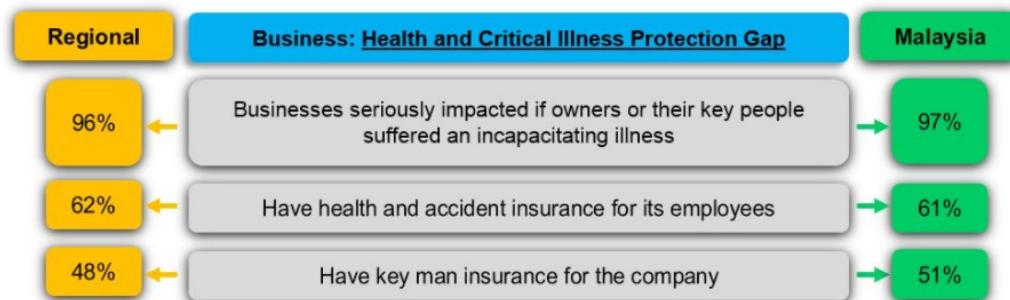
“There is a growing conversation among family businesses on the need to rethink wealth and risk management for long-term business resiliency,” says Sun Life Malaysia CEO and president/country head Raymond Lew.

“It is high time to start finding new protection solutions to build and sustain wealth and better manage risks, in order to thrive in the new normal,” he says.

In Malaysia, the majority of family businesses are transitioning to the second generation. One of the biggest concerns faced by these second-generation owners is ensuring they will succeed in passing on the same business and financial legacy which they have inherited to the following generations.

Aligned with its business purpose of helping people and communities achieve lifetime financial security and live healthier lives, Sun Life Malaysia encourages family businesses to get started by reassessing their financial protection gaps in the areas of wealth and risk management as well as retirement planning. This will serve as a strong baseline to sustaining generational wealth and building resiliency.

While there is no doubt that preserving wealth is key to most family businesses, Sun Life Malaysia points out the importance of succession planning to ensure the longevity of a family business.



Sun Life’s 2020 survey ‘Future of Family Businesses in Asia’ detected a large health and critical illness protection gap among family businesses in Malaysia – only 61% had health and accident insurance for their employees while 51% had key man insurance for the company.

According to the Sun Life Financial “2020 Future of Family Businesses in Asia” survey, from the 250 Malaysian family enterprises polled, 19% of respondents did not start any form of succession planning, while 14% found the process of succession planning too complicated.

Many of the more mature family businesses are facing a similar situation – being less prepared than anticipated in their plans to hand over the business to the next generation.

“With the economic impacts wrought by the pandemic, it has never been clearer that this is the right time for family business owners to reset their succession planning button,” says Lew.

“As the majority of family businesses, especially emerging start-ups, often rely on a small group of key decision makers, that makes succession planning even more important to business sustainability,” he says.

Lew also highlighted another worrying trend: many family business owners in Malaysia overlook a critical aspect of business continuity amid the evolving pandemic situation – health protection, in addition to coverage against unforeseen risks to their business assets, such as fire and theft.

Sun Life's survey revealed that 97% of the business owners polled reported that if they or their key people suffer an incapacitating illness, their business would be seriously impacted.

It is most prudent, especially in times like these, for family businesses to re-examine their health and medical protection policies for their people and undertake a comprehensive insurance protection for employees, especially key managers.

As an added bonus, offering insurance benefits plays a big part in talent hiring and retention.

While the main priority for family businesses now is to steer safely through the pandemic, Sun Life Malaysia advises business owners to not lose sight of the long term and instead take a holistic view of the range of financial solutions available especially key man protection to better manage their risks and enhance their business and succession plans for generations to come.

Since its founding in 2013, Sun Life Malaysia has been helping individuals and businesses offset their risks and achieve their financial and health ambitions.

Protect your most important assets – your business and your people.

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