



Family Businesses and COVID-19: Malaysia

Our support and recommendations

Family businesses are inherently resilient – and yours is no exception, whether recently-founded or long-established. Newer family businesses have survived and thrived in the toughest of environments. Older ones have ridden out cataclysmic, world-changing events from wars to recessions to natural disasters. Either way, resilience is part of your family business DNA – underpinned by your deeply-held values and purpose, long-term horizon, agile decision-making, patient capital, and rock-solid commitment to your workforce and communities.

However, the COVID-19 pandemic is severely testing all the attributes that give family businesses a competitive edge. And your ability to survive and prepare to rebuild is critical to the future of your family, your business and all the people who rely on it. So, drawing on our current experience with family businesses worldwide, we would like to provide you with some practical advice about the key areas in your ownership sphere to focus on, and how to address the unique challenges your family business may be facing right now. We hope this helps you navigate through this difficult period.

“Right now, family businesses need strong unity of the family. The family owners need to stand united, define their commitment to their business and speak with one voice. They need to send a very strong message to their employees, business partners and public that they are backing the business. If they do this right and do not compromise their values, they will build trust and confidence, and this will help them when the economic situation improves.”

- Peter Englisch, Global Family Business Leader

Managing Ownership: The four key areas that family business owners should consider

Purpose and Values



For a family business, *values* are the connective tissue – the source of your success, commitment and longevity. But when survival is at stake and these values are challenged, cultivating them may not feel like a priority.

It should. Now more than ever, it's vital to stay united as a family and embrace and live your values. Why? Because this will sustain confidence and trust in your business through the crisis and beyond.

Our recommendations

- To stay connected and prioritise communication. Think about instituting regular virtual gatherings with your family stakeholders and/or employees.
- Use social media to communicate your values clearly and effectively, and to stay connected with your ecosystem, communities and customers.
- Consider holding more frequent family council and shareholder meetings to create transparency, consensus and support around next steps to address the crisis.
- Ensure any actions you take are aligned with your purpose and values – such as supporting wider community responses – and communicate about them clearly and consistently.
- Think about inviting the family business Board of Directors to report to the ownership group on scenario planning and the measures that are being implemented.

Governance



Effective governance – both family and corporate – is of critical importance at any time. But it's even more vital during a crisis when the trust, transparency and clear expectations it creates can be a real differentiator, helping you manage current and future challenges in the right way.

That said, a crisis such as today's creates governance risks that go beyond the usual challenges. So, you should keep directors' duties front of mind to avoid any inappropriate action being taken. Be ready to seek external expertise if you're uncertain.

Our recommendations

- Your family council is the beating heart of your business: are there any other family members who should join who could bring unique, crisis-relevant skills and experience?
- Assess whether your Board of Directors are fully equipped to manage the crisis and related risks. And ask yourself whether anyone else should step in who could contribute further expertise.
- Establish a cross-functional steering committee led by a C-suite member. It should include senior representation from business divisions and functions such as human resources, finance, legal, IT, operations, risk, business continuity, procurement, sales, and health and safety.
- Consider using PwC's [COVID-19 Navigator](#) to assess where you are on your path towards COVID-19 preparedness and response.

Ownership Continuity



Succession is critical to the success and continuity of any family business. While it's usually a relatively drawn-out process, a crisis like today's demands some quick and effective decisions. These include establishing emergency plans – both for the business and the family – and clear leadership transitions, given these uncertain times.

This is also the time to turn to your next generation for leadership. The younger generation has a huge role to play both in the business and the family. In our latest [Malaysia NextGen Survey](#), they told us they're ready to make their mark, especially around digital transformation – but that they don't yet feel they have the licence to operate. Now is the time to bridge the generation gap, hand over that licence – and let them help you drive your business through the crisis.

Our recommendations

- Put clear plans in place for any losses in the family, including reviewing wills and setting out clear leadership/role transitions - both at the family and business level.
- Give your next generation the opportunity to prove themselves by applying their digital savviness. This can make the difference between falling behind and staying ahead, as remote working and digital solutions become even more important.
- Involve your next generation in using social media effectively, ensuring you have a clear and confident voice out there with all stakeholders.

Family Wealth




Many family businesses have donated to various hospitals to help the frontliners and also to not-for-profit organisations during this challenging period. As a family business owner, you may find the COVID-19 crisis requires you to change your strategy for contributing to those who need help during the Movement Control Order (MCO) period while still enabling you to protect your personal wealth. You should make a full assessment of the impact on your estate and tax planning, now and post-MCO.

In Malaysia, the Government has announced certain tax measures to help businesses cope with the impact of COVID-19. You would want to ensure that your tax position is optimised. Refer to pages 25 to 29 of [PwC Malaysia's TaXavvy](#) for more details about donations to combat COVID-19 as well as the tax implications.

Our recommendations:

- Consider whether your business will need additional capital, and how you might use your private wealth to help.
- Understand the tax measures introduced in response to COVID-19 and their effect on your personal tax position and liquidity.
- Assess how prepared your shareholders are in supporting the business's ongoing liquidity requirements.
- Communicate with your other beneficiaries to ensure they are clear about what are the plans in place, and on any sacrifices they may have to make, like accepting the reduction or suspension of dividends/returns.
- Ensure your charitable efforts are consistent with your purpose and values and tax efficient at the same time.



We would encourage you to use the **PwC COVID-19 Navigator**, a diagnostic tool for assessing the potential impact on your business and gauging your readiness to respond.

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