



# Harmony in transition: Redefining the Family Business



**By Tai Lai Kok, Family Business Tax Leader; and Elliot Chaw, Director – Family Business Tax, KPMG Private Enterprise in Malaysia**

**A**s generational shift and new leaders emerge, family businesses today stand at a crossroad – where legacy meets reinvention, and adaptability shapes their evolution into the future.

In today's landscape, many leaders from the baby boomer generation are beginning to transition out of active leadership roles, paving the way for the next generation to take the helm. However, these family enterprises are confronting a wave of unprecedented challenges that demand both strategic foresight and adaptability. Beyond bold, forward-thinking responses to navigate evolving family structures, rapid technological disruption, and rising societal

expectations around sustainability, a new leader must also carry the responsibility of honouring the legacy that has shaped the enterprise's identity.

To thrive in this shifting landscape, families must embrace two interconnected imperatives: inclusive governance and strategic succession planning. By developing governance frameworks that reflect diverse family dynamics and aligning them with tailored succession strategies, family businesses can preserve their legacy while unlocking new opportunities for innovation and sustainable growth.

The rise of inclusive governance  
As families move beyond traditional hierarchies or nuclear family models, dynamics within family businesses are becoming increasingly complex. Blended families, non-traditional heirs, cross-border marriages, and globalized operations have reshaped how families live and work together. These evolving structures demand governance frameworks that prioritise inclusivity, fairness and clarity.

Effective governance enables transparent decision-making and ensures diverse voices — across generations, genders and branches of the family — are meaningfully considered, while also fostering unity and trust.

Looking ahead, formalised governance structures are likely to gain traction. Family councils, family assemblies, and family constitutions are emerging as vital tools to navigate complexity and prevent conflict.

However, governance is only effective when it is closely aligned with succession planning. Poorly managed transitions can lead to fragmentation, jeopardising the longevity of the business. By integrating inclusive governance with strategic succession, family businesses can balance tradition with adaptability — ensuring long-term continuity in an era of accelerating change.

## Succession planning: A spectrum of styles

Succession planning is the cornerstone of family business longevity, shaping how leadership and ownership transition across generations. Today, family businesses are adopting a range of succession models, each tailored to their goals, values and family dynamics.

When supported by effective governance, these models can reflect modern realities while ensuring inclusivity, clarity and continuity.

Below are the key succession models for consideration: -

- **Family partnership model**  
Family members collaborate as co-owners and co-leaders, sharing responsibilities equally. This model works best in inclusive environments where multiple family members are capable, committed and aligned.

Example: A corporate family firm with sibling co-leaders used a family constitution to clarify decision-making, supported by independent advisors and regular family meetings to foster smooth collaboration.

- **Primogeniture (eldest leads)**  
Leadership passes to the eldest child — a common approach in

some Asian family businesses. While efficient, this model may overlook the strengths of other family members or lead to disengagement.

To encourage participation from other family members, some families introduce a family council to involve other members in strategic roles, fostering harmony and leveraging diverse capabilities.

- **Asset disposal and distribution**  
The family chooses to sell some or all business units and distribute the proceeds among family members or reinvest them. This is often relevant where successors are uninterested in continuing operations — especially in traditional or legacy businesses.

- **Fixed income/low-risk investment approach**  
Wealth is preserved through conservative investment strategies, often via a family office supported by bankers and investment professionals. This model suits families with steady income streams, such as real estate businesses or shareholders of large public companies — providing stable returns for family members.

- **Family office or new venture formation**  
Families establish a family office or invest in new ventures, maintaining entrepreneurial momentum. This model can unite diverse members around shared purpose and innovation.

Example: After selling its core business, one family launched a family office or venture fund to invest in startups — engaging younger generations and non-traditional heirs in venture selection and governance.

- **Hybrid models**  
These blend elements from other models. For example, some family members remain active in the

business, while others receive dividends or pursue independent careers.

Alternatively, a conglomerate may also adopt a silo governance approach, assigning different family branches to oversee distinct divisions (e.g., retail and manufacturing), while a family assembly provided strategic alignment. A well-defined family constitution further clarified roles and helped prevent potential conflicts.

In all cases, the success of any succession model depends on having the right governance frameworks, clear role definitions and consistent communication. Without these foundations, even the most carefully designed succession plans risk fragmentation, misunderstanding, or failure.

## Family governance: The backbone of inclusion and succession

Governance styles define how family businesses make decisions, resolve conflicts, and integrate diverse stakeholders. More family enterprises are now adopting structured governance features such as the following:

- **Family council:** A representative body formed to deliberate key matters, including family policies, conflict resolution and succession decisions. The council often acts as a liaison between the family, board of directors and senior leadership, providing insights on decisions that affect both family dynamics and business outcomes.
- **Family assembly:** A broader forum that typically gathers once or twice a year. It includes all family members who are also shareholders and serves to share business updates, strategic direction and financial outcomes. Assemblies provide a platform for intergenerational dialogue, discussion on key decisions (such

as asset disposals or succession models), and strengthen transparency and alignment across the family.

- **Family constitution:** A formal written document that outlines the family's shared purpose, governance structure and guiding principles. It serves as a foundational reference for all succession models, promoting clarity, inclusion, and accountability. For example, family constitution can include provisions for non-traditional heirs in their constitution to promote inclusive leadership and ownership decisions.

By aligning governance structures with succession planning, family businesses can better accommodate blended families, cross-border stakeholders, and next-generation leaders — balancing fairness, clarity, and long-term unity.

## Connecting governance and succession for inclusive structures

Effective governance and thoughtful succession planning are essential for managing the increasing complexity faced by today's family businesses. Inclusive governance ensures that succession plans reflect diverse needs, reduce conflict and promote long-term sustainability.

Here are several strategies, with examples, to effectively align both pillars:

- **Formalise governance early**  
Establish structures such as a family council or constitution early in the business lifecycle. For instance, adopting a partnership model with predefined communication channels, fostering inclusivity and minimising disputes during leadership transitions.

- **Tailor governance to succession style**

Governance models should reflect the chosen succession approach. A firm using primogeniture paired a controlling heir with a family council to give non-leaders strategic input. Meanwhile, a conglomerate employing a hybrid model can benefit from silo governance, allowing different family branches to manage distinct divisions, while maintaining cohesion through regular family assemblies.

- **Promote transparency and dialogue**

Family councils and assemblies are powerful tools to foster communication during succession. A family firm preparing for a major ownership restructuring used an owners' assembly to achieve consensus across diverse heirs, including those residing abroad.

- **Leverage family offices for inclusivity**

Family offices centralise wealth management and can support inclusive activities, such as funding new ventures, supporting philanthropy activities, or providing returns to non-operational family members. This allows all branches to remain meaningfully engaged.

- **Embed flexibility in family constitutions**

A strong constitution should anticipate evolving dynamics, such as global operations merit-based leadership, and future family expansions. For example, one family revised its constitution to prioritise merit and inclusivity over traditional succession, supporting blended family representation.

By embedding these strategies, family businesses will be better equipped to meet the challenges ahead — from demographic shifts and globalisation to rising societal expectations. And in

doing so, they can preserve both legacy and unity for generations to come.

## The road ahead

As we navigate 2025, family businesses stand at a pivotal crossroads. Generational transitions, global uncertainty and rising stakeholder expectations demand a bold yet unified approach to governance and succession.

By aligning inclusive governance with forward-looking succession strategies, families can navigate complexity — enabling equitable, strategic and sustainable leadership transitions.

Practical steps pave the way forward. A family dynamics audit can help assess internal structures, values, and priorities, laying the groundwork for more inclusive governance. From there, families can build a tailored succession roadmap, one that tests different models and scenarios, as well as one that engages members across generations.

Whether adopting a family partnership, a hybrid structure, or choosing to distribute assets and exit operations, success lies in integrating governance and succession into a cohesive, future-ready framework.

The most sustainable family businesses of the 21st century will be those that act decisively — not only preserving their heritage but redefining their role as beacons of resilience and innovation. By fostering harmony through transition, they can bridge tradition and progress, ensuring their legacy endures as a force for good in a rapidly changing world.

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