Wealthy Asian families face succession woes as scions have different ambitions, mindsets: report

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THE next generation of Asian families often have different ambitions and mindsets involving business ownership and control, making it one of the top challenges these families face in wealth succession, said a report published on Tuesday (Nov 11).

While 91 per cent of first-generation wealth holders want business leadership to be retained within the family, almost a quarter cited a lack of interest in this from their heirs, said a report by UOB, Boston Consulting Group (BCG) and the National University of Singapore (NUS) Business School.

More next-generation leaders are also increasingly open to appointing external professionals to run the business while retaining ownership, the report also found.

Among the founders, however, many resist professionalisation strongly, because they fear outsiders could misuse resources or dilute family influence.

This comes as Asia has emerged as the world's fastest-growing financial hub, with private wealth projected to reach US$99 trillion by 2029.

Chew Mun Yew, head of UOB Private Bank, said: "The next chapter of the region's wealth will be defined by the complex task of wealth transfer, with many Asian businesses being relatively young and hence are lacking in institutionalised and tested governance structures."

The report found four main archetypes of high-net-worth individuals (HNWIs), each with their own expectations regarding succession.

Legacy founding patriarchs, often over 60, intertwine the business with the family's identity and favour continuity of the business within the family.

Asia has become the world's fastest-growing financial hub, with private wealth projected to reach US$99 trillion by 2029. PHOTO: BT FILE

Contemporary founders, who built their wealth in emerging sectors, tend to decouple business from family, making decisions on business management independent of family interests.

Next-generation business leaders – or heirs who took over from the original founders – balance legacy with independence for their own children.

And non-business owners, who built their wealth through professional careers or inheritances, tend to focus on wealth preservation and are less bound by social norms.

But preferences of the next generation should also be taken into consideration when planning succession.

The next generation "increasingly prioritise personal ambitions such as starting their own business ventures and pursuing social impact over preservation of the family business", the report said.

Professionalisation is thus the pragmatic solution.

"Families must recognise that professionalisation and family control are not opposites," the report said.

"The central question is no longer who leads, but how professional leadership and family influence can coexist to preserve legacy and continuity."

For founders that fear losing their authority, ensuring proper governance structures can also allow them to preserve influence while creating alignment.

This includes corporate governance, which prevents managers from pursuing self-interest at the expense of firm value, and family governance, which provides the rules that guide family shareholders.

This consideration also extends to investment preferences. Among the younger group, aged 30 to 35, 52 per cent hold equities and 33 per cent hold digital assets as part of their top three asset classes in their wealth portfolio.

In contrast, the older or founding generations aged 60 and above prefer traditional assets, with close to 70 per cent having investment properties in their top three.

UOB's Chew added: "As a third-generation bank ourselves, we have seen how early engagement, thoughtful planning and guided conversations can transform succession."