

Leadership succession for family businesses

IN response to the growing needs of family businesses in Asia, Singapore Management University established the Business Families Institute (BFI) in August 2012. The institute collaborates with various academic and practice partners to be a leader in Asian business family-related knowledge. Professor Annie Koh, the BFI's academic director, shares some of the institute's findings in the area of leadership succession planning.

Firstly, she notes that countries in Asia are at different stages of growth when it comes to business families. For such firms in the more mature markets of Japan, India and the Philippines – where family businesses have lasted four generations or longer – there is a clear desire for the family to be responsible owners and stewards. As such, the larger family enterprises and conglomerates in these markets are increasingly appointing non-family professionals to lead the business.

However, in many of Asean's fast-growing and emerging markets, as well as China, family enterprises are usually in their first and second generations. These firms are leveraging technology to grow rapidly, and have tasked their next generation leaders to start new ventures to enhance their traditional businesses.

"For these family enterprises, their next generation CEOs are as entrepreneurial as their first generation leaders. And entrepreneurship is powering their growth. So the successors are still very much family members," says Prof Koh.

In Singapore, family firms are somewhere in between these two extremes; and similar to ones in Malay-

sia, Thailand and Indonesia. Some are ready for non-family professionals to steer the business with a limited number of family members working in the company, while others still have cousins and uncles holding positions in the organisation.

The good news is that Singapore-based business families are increasingly aware of their need to plan for succession. According to Prof Koh, some 85 per cent of Singapore family firms surveyed in a BFI study conducted three years ago, said they are expecting to undertake succession planning in the next five years or sooner.

"Therefore, families are growing their talent pipeline and developing the entrepreneurial capabilities of their next generation of leaders to successfully transfer the business and the successor may or may not be family, may or may not be male and may or may not be the first born," says Prof Koh. "That's why we set up BFI five years ago to study many facets of family business with succession planning and family member leadership development and competencies being an area of research. And to share best practices with our BFI business family members."



"Therefore, families are growing their talent pipeline and developing the entrepreneurial capabilities of their next generation of leaders to successfully transfer the business and the successor may or may not be family, may or may not be male and may or may not be the first born."

Professor Annie Koh, Business Families Institute's academic director