

Taking privilege a step further

Inculcating a strong work ethic, family ethos and an entrepreneurial drive in NextGen leaders is key to sustainable wealth

By GENEVIEVE CUA

WEALTH presents parents with a conundrum: Privilege and luxury are surely desirable things.

But how do parents ensure that wealth does not give rise to arrogance, or sap children's drive to work and excel?

This is an issue that a number of private banks have seized upon in their wealth structuring and family advisory. Many offer "next generation" (NextGen) programmes that seek to nurture in clients' children not just a degree of financial sophistication in wealth matters, but also an awareness of and participation in succession issues.

Nurturing children with a strong work ethic, strong family ethos and an entrepreneurial drive is key to sustainable wealth. In this issue, we profile two NextGen leaders – Kenneth Goi, son of "Popiah King" Sam Goi, and Ho Ren Hua, son of Ho Kwon Ping who founded the Banyan Tree group.

Kenneth is currently GSH executive director (business development). Ren Hua is executive director and China country head of Banyan Tree Holdings.

There are a number of striking parallels in their respective family cultures. Both grew up very much aware of their families' businesses. Both look to their parents as mentors. Their parents encourage a spirit of debate and discussion, a far cry from the stereotypical autocratic style of Asian family businesses.

Ren Hua worked a three-year stint at Bain & Company before joining Banyan Tree. Kenneth set up a third party cold logistics services company, Acelink Logistics, which today is a leader in its field.

Annie Koh, associate professor of finance at Singapore Management University and academic director of Business

Families Institute, says the concept of stewardship is key and should be impressed upon one's children.

"We've seen some great learning manifested among some of the next generation that we interact with. Many are constantly reminded that they are stewards of the family's business and the family's name and wealth. And so as stewards they must guard well what was built up – the property, business partnerships and staff – and they must have accountability as shareholders.

"If they have this stewardship mindset, it doesn't matter if they are working or not working in the business. They will be responsible shareholders and not take the privileges for granted, and will not squander the wealth."

To bring up children who are free from the entitlement mentality, Coutts Institute managing director Maya Prabhu sets out a number of principles, even as she says there is no magic bullet. One is that parents must model the behaviours that they want children to take on.

Two, have regular conversations on family values from a young age.

Three, preparing children for wealth and to value money can start from a young age. For instance, children from as young as six or seven can be given pocket money and taught to divide it into three pots – for spending, saving and giving to charity.

She sounds a note of caution. "Some successful and driven parents are sometimes disappointed if they perceive that one or more of their children are not as driven in business as they are. One of the great freedoms that arises from being born into a wealthy family is that you can work on your passions without necessarily having to worry about finding the most highly paid work."

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Maya Prabhu
Managing Director, Coutts Institute



The son of a client, she says, is a diving instructor and set up a dive shop and school in a popular beach resort. "Diving is his passion and he can pursue it this way as his family wealth will help pay for his home and retirement. It is important that excellence and work ethic are valued when pursued in non-traditional fields as well."

To strengthen family bonds and a sense of shared culture and history, Prof Koh says it is powerful to tell "family stories". "How their great grandparents grew sweet potatoes in the wild and fed everyone first but themselves last, how their father stayed in one room with 10 siblings when growing up, how the grandmother gave her dowry to her daughter to pawn so that the son-in-law can invest into the business... those stories will inculcate a deep sense of legacy and instil a sense of belonging in our next generation, so they do not take their good life for granted."

In terms of the family business, she says some families insist that the younger generation should work their way up to senior positions, carrying less glamorous titles of senior executive or business development manager, rather than director. "It also means they get market-based compensation like other staff, and they report to other managers in the company rather than their parents or relatives."

Coutts Institute's Ms Prabhu says it is important to build an emotional connection between the NextGen and the family business. "That they grow up seeing a positive relationship between their parents and the business, and not seeing the business as competition for getting a minute of their father's time, and to develop in them a sense of pride for the family enterprise."

She says it is difficult if the business becomes an obligation while the children's

talents and interests take them in other directions. "Some families make it a rule for their next generation to work outside the business. In a nutshell, nurturing and nourishing an emotional connection with the family enterprise, and at the same time giving the next generation the freedom to pursue their dreams usually ends well over time."

What of entrepreneurship? How can this be fostered among children who actually need not work at all?

Prof Koh says one way is to empower the younger generation; let them make some decisions that may well fail. "Small failures will not set back the whole business. Having failed and tried again – that's the trademark of being entrepreneurial."

A number of families have also set up venture or startup funding either hosted by a family office structure or an investment platform within the core business. The NextGen who seeks to start a business will have to put up a proposal, present it to an investment committee which can comprise family and non-family members. "Of course if the next generation can get outside investors into the new project, it allows him or her to be accountable..."

"I've seen some of the new business sold off and capital returned to the family which funded the project, and this allows the next generation to learn what it takes to start, grow and sell a business. And of course some new ideas flop, and the loss is limited to a set amount without pulling down the core business or the reputation of the family."

She says philanthropic projects such as a social enterprise may also help build entrepreneurial skills, as it builds a business "with a larger purpose than making money". ■



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