

Why family businesses could have a head start in sustainability

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With their eye on the next generation, family businesses are primed to address key commercial challenges, finds Anna Simpson at the launch of new research in Singapore.

Nguyen Binh, a Director and Board Member of one of Vietnam's most successful enterprises, speaks with pride of his mother. She has held the titles of Chairwoman and Chief Executive of Refrigeration Electrical Engineering (REE) for the past decade, having started her career with the company in the 1980s. For her son, Madam Nguyen is "a true pioneer ... decisive and modern". When he accepted her invitation to join the firm, his motivation was not only "to bring the company to greater heights, continuing her legacy", he asserts: "I also wanted to help the REE Family grow from strength to strength".

Charles Tan – a second-generation employee of Sunray, one of the largest interior developers in Singapore – tells a similar story: "After my graduation from RMIT University, I returned to the family business. Topmost on my mind was the Chinese proverb [...] that I am to remember my roots. Truly, I want to give back to the Sunray Family who supported me."

Businesses can struggle to inspire such commitment among their employees, particularly as more people aspire to flexibility and variety in their working life. Strong values can make a difference to staff engagement and retention, but defining them is one thing – instilling them in the hearts and minds of the workforce another. In this, family businesses (defined as those in which at least two relatives are involved, through ownership and/or management) have a head start, thanks to their intergenerational approach.

For one, the next generation can be primed from a young age, witnessing their family's values in action around them. Blood ties aside, family businesses often nurture relationships with employees, partners and suppliers over many years, building a culture of trust and loyalty. And, with an eye on the future, leaders start planning for succession well in advance of their exit, long before a typical three-month notice period.

What does this long-term approach mean for sustainability? It certainly doesn't mean every family business is necessarily a leader, but it does mean they are primed to address some key challenges – from strong value chain management and resource stewardship to an appetite for innovation and a clear social purpose.

I met Jamie Lim, Regional Marketing Director of the carpentry firm Scanteak, and the daughter of its founders, at the launch in Singapore of new research into succession issues within Asian business families, conducted by Singapore Management University's (SMU) Business Family Institute (BFI) with a grant from Deloitte Southeast Asia. Lim's slick and stylish garb is appropriately set off by her 10-month-old babe in arms. "This could be something that she will like", Lim explains to me: "so we can start investing in her now. In family businesses, young talent can learn the soft skills that they would not learn in any business school. This helps us such a lot. My brother and I were exposed from a young age, going to meetings and so on: we made connections. Now we are connecting with our business partners' kids, so the second or third generation can continue that network. Normally it would take a long time to build up that rapport with a business partner – but we know that our parents trust them, and we know that their parents trust them, and we probably even met them when we were young..."

This approach to relationships has ramifications throughout the supply chain, Lim claims, putting the emphasis on quality and longevity, above cost. "When my parents started they really had to find their sources; some of the suppliers have been with us for 15-20 years, and so it would take a lot more than a better price to convince us to make a transition." It has also meant that Scanteak looks to the future of the stock: "We now only use plantation teak which means that for every tree cut down, they have to plant another" – a strategy which has been in place for over a decade.

When Lim joined the firm, she asked her father for permission to rebrand it for the next generation of consumers, moving away from the traditional aesthetics established through Indonesia's long history of teak furniture production, and instead focusing on lifestyle. She came up with the concept for an awardwinning television advert, which tells the story of a young boy caught doodling on a table by his father. "The angry father tells him off, only to find that he was scribbling the words 'I love you Daddy'. Fast-forward to the future, and the father gets the son a desk as a graduation present – with a message engraved on it."

The theme of education is not accidental. "Business families understand that training and development needs are of paramount importance in ensuring success of the next generation", says Tam Chee Chong, Regional Managing Partner at Deloitte Southeast Asia.

Anecdotes of inter-generational learning and mentoring recur, with the younger generation frequently reporting to long-serving employees to ensure their insights and techniques are passed on. Such is the secret behind the success of Singapore's popular kaya toast (a traditional breakfast served with eggs) brand, Ya Kun. Its founder, Loi Ah Koon, grew up watching his father's meticulous preparation of the toast, learning "to make sure it was crispy and good".

But does such an emphasis on tradition get in the way of innovation? Not necessarily, the BFI-Deloitte report indicates. In a survey of 83 business families, mostly from Southeast Asia, the research team found that 61% see research, development and innovation as one of their top three priorities for the next three to five years, alongside expanding into new markets and growing new lines of business.

"In order to maintain a family business, you must be very receptive to changes and you must be very fluid", Neo Tiam Boon, the second-generation CEO and Executive Director of property and construction firm TA Corporation Group, told me at the launch event. "There's no need [for my generation] to maintain the same business that our late father started [specialising in public housing in Singapore]. Innovation, for me, is continuously introducing new ideas into a business. If something has been there for 10 years, it can't be left unchanged 10 years down the road. You have to be very creative in your designs." and in meeting requirements."

For Neo, planning his own exit and successor is the key to ensuring the business stays fresh and competitive. "As a CEO I've been there for eight years, and I'm not prepared to be there for too long – because sometimes we take things for granted. If we assume we are doing well, we are discouraging new blood and new ideas from coming in. I strongly believe that CEOs should not be at the helm of a company for too many years; maybe 10 years is good enough."



Choosing a successor will only go so far towards ensuring innovation. "In the face of mounting resource and climate-related business challenges, there is a real opportunity right now to groom a pool of environmentally-aware next generation leaders, and equip them with the skills to shift their family business onto a more sustainable path", says Jie Hui Kia, a Futures Advisor at Forum for the Future, Singapore.

If you really want to drive innovation, there's also a need to invest in research and development. The long-term mindset of family business helps to foster longer-term

investment strategies – argues Professor Annie Koh, Vice President for Business Development and External Relations at Singapore Management University, and Academic Director at BFI. “If you don’t have patient capital to wait for ideas to take on a life of their own, there will be no innovation.” Such capital is easier to set aside in family businesses, she notes, which are often privately held, and so experience less pressure to meet shareholder demands or targets set on a quarterly reporting basis.

For these reasons – their capacity to fund innovation and their emphasis on social capital – claims Koh, if any business can lead change in sustainable development, a family business can. Moreover, they have an added incentive, she says: “They have to live up to the name of the family in every product or service that bears their name.”

This incentive – the family name and its reputation as a brand – drives many family businesses to take both their environmental and social responsibilities seriously, through both corporate policies and philanthropy. “If we look around us, in any part of the world, most educational institutes and hospitals carry family names”, Koh observes.

Stephanie Draper, Deputy Chief Executive at Forum for the Future, agrees that family businesses, such as Swire, YTL and Huntsman, have a sense of responsibility and reputation that makes them well placed to lead the charge on social and environmental issues. “At Forum for the Future, we are keen to see this go beyond traditional philanthropy and reach into the heart of the business”, she adds.

John Riady, the grandson of the founder of Lippo Group, a major Indonesian conglomerate established in 1950, illustrates the potential. “My father didn’t build all this for me. The word he uses is ‘stewardship’, and this is the word I would also use. It means that the businesses you own, you don’t really own: you are its steward. You have a responsibility to grow it and to also use it responsibly. Hopefully, our businesses can be a blessing for the people of Indonesia.”

Riady’s interest in the future stretches well beyond the interests of his family: his personal ambition, he declares, is to train and educate the next generation of Indonesians. He is an Associate Professor and Dean at the country’s leading private university, and oversees BeritaSatu, one of Indonesia’s largest multimedia organisations, owned by Lippo Group.

“It’s a country full of inequalities: many people do not have medication, many do not have access to health care”, he explains. “It’s a country without the infrastructure necessary to empower people to be able to do what they can do. I grew up during a time of transition; it was a time of political upheaval and social and sectarian violence. All these experiences have really shaped my views and why I am in business.”

Perhaps the most striking (and frequently cited) example of leadership in sustainability among family businesses is the Malaysian infrastructure conglomerate, YTL. The real leader on this front is Ruth Yeoh, who before the age of 30 was driving the environmental

agenda within the business as Executive Director at YTL Singapore Pte Ltd and Director at YTL-SV Carbon, an in-house carbon credit and clean development mechanism consultancy that she established to help companies within the group – and also across Malaysia – “go clean and green”.

One year after Ruth Yeoh joined her father’s company, in 2005, YTL produced its first sustainability report – two years before the Malaysian stock exchange required any CSR disclosure. Ask Ruth about the roots of her environmentalism, and she points to her father, Tan Sri Francis Yeoh. “[He] played a big part in inspiring my passion for protecting the environment and growing my commitment to the cause”, she told the publication Green Prospect Asia, recalling in particular the experience of planting trees with her father on the island of Pangkor Laut – one of her earliest memories, and “particularly influential in instilling such values within me”. She also remembers accompanying her father on business trips to New Zealand, where she remarked not only on the country’s natural beauty but also the active role of communities in protecting it.

Working to her vision and direction, YTL has set up systems to monitor energy, water, waste effluent, solid waste and consumables, across all its divisions – and targets to reduce its impact. One success story is a 10% reduction in carbon emissions at the YTL Power Seraya plant, through efficiency measures and a switch to less carbon-intensive fuels. Another is the installation of energy meters on the high-speed rail service KLIA Ekspres, which runs from KL International Airport to Kuala Lumpur and in which YTL is a major shareholder – resulting in a 5.3% reduction in energy cost per trip. Ruth’s talent and determination speak for themselves, but it’s difficult to tell whether these measures would have been implemented so rapidly were it not for her influential position in the family.

While non-family businesses may not be able to fast-track innovative policies, perhaps by overriding the hesitations of wider stakeholders in the way that a family business can, there are lessons they can learn. The value of nurturing relationships over generations, building both trust among employees and partners and commitment to the company’s social role is certainly one. As the Chinese proverb goes, “If you want one year of prosperity, grow grain. If you want 10 years of prosperity, grow trees. If you want 100 years of prosperity, grow people.”

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