



Media Release

**SMU's Business Families Institute and Deloitte
conduct research on Asian Business Families Governance**

Survey showed that Asian business families are in early stages of family governance development and adoption, but are committed to building family and business sustainability

Singapore, 26 May 2015 (Tuesday) – Singapore Management University's (SMU) Business Family Institute, or BFI@SMU, has partnered with Deloitte Southeast Asia (Deloitte) in a research titled **'Asian Business Families Governance: Crossing the Chasm for Inter-Generational Change'**.

This survey research is part of a three-year Business Families Research Programme (starting from Academic Year 2014) made possible by a second research grant from Deloitte to BFI@SMU, which was announced in September 2014. The first research grant from Deloitte had previously funded BFI@SMU's inaugural survey in 2013, which focused on Asian Business Families Succession.

This latest research survey on governance was conducted by BFI@SMU between December 2014 and April 2015, and provides insights into the family and corporate governance strategies, platforms and structures which are in place in Asian business families, as well as the extent to which they provide effective and professional platforms for decision-making. Responses from over 100 business families were consolidated for the survey, which covered various territories in Asia, namely Singapore, China, Hong Kong SAR, Indonesia, India, Malaysia, Myanmar, Taiwan, Thailand, The Philippines and Vietnam.

More than 80% of the family members surveyed said that they cared about and were proud to be part of their businesses, however, only slightly more than half (56%) felt involved and included in the family business matters and decisions.

A majority (71%) of the business families demonstrated a strong desire to establish decision-making bodies, however, only 12% of the respondents have a working governing body elected by the family to deliberate and coordinate the interests of all family members (in the form of family assemblies, corporate boards and family committees). This shows that for most business families, family governance practices are still in the early stage of development and adoption.

The study found that while many families use *formal* governance practices, such as Board of Directors (84%), family committees (51%) and family assemblies (38%), *informal* governance practices are widely adopted – informal meetings (65%), family reunions (49%), and other modes of communication (49%). This preference for a 'structured informality approach' implies that the families are adopting fairly flat decision-making structures in their businesses. This allows them to be flexible and agile to change, and be proactive when it comes to adopting innovative thinking and practices for their businesses.

One pressing concern faced by business families is that of succession and continuity. 85% of the families surveyed said that they expect to see succession taking place in their businesses within the next five years, yet only 17% have systematic succession and training plans in place. The survey also revealed that while 68% of the families surveyed have not experienced a leadership transition, 31%

have shortlisted potential successors; however, their succession processes are neither regularly reviewed nor updated by the corporate board.

To succeed in their businesses in the long term and to build sustained family harmony at the same time, business families can consider enhancing their commitment and effort towards strengthening current governance practices. In this regard, the survey noted that 84% of the respondents were willing to put in more than the requisite effort to ensure family business success. However, this needs to be a concerted family effort, rather than an individual's effort.

Professor Annie Koh, SMU's Vice President for Business Development, and Academic Director of BFI@SMU, said, "This study has provided critical insights into family and corporate governance – a component that is key to the building of sustainable Asian business families. I hope that today's findings will encourage business families to address upfront and with priority the important issue of strengthening family governance practices."

"As an Institute set up with the vision to facilitate knowledge-sharing among families, as well as to support their education and development, BFI@SMU is committed to providing the knowledge and platforms that they need in order to build family and business sustainability. BFI@SMU and Deloitte have already begun to develop a set of Asian-focused case studies and teaching materials to accompany master classes on family governance, build management capabilities for family firms, and develop family leadership and entrepreneurship. These will be ready in 2016. In 2017, a book featuring exemplary family businesses and practices will also be produced so that more Asian business families can benefit. I am grateful to Deloitte for their strong support and for the confidence they have placed in BFI@SMU," she added.

Mr Tam Chee Chong, Deloitte Southeast Asia's Regional Managing Partner of Financial Advisory Services, enthused, "We look forward to a continued and successful partnership with BFI@SMU as a knowledge and research partner. This research survey on governance reinforces our shared vision for the Business Families Research Programme in helping families build strong foundations in their business and family values."

"The next five years will be critical as 85% of business families surveyed are expecting to undertake succession planning. We hope that these new insights will enable business families to establish a clearer framework for family governance and move current practices into best practices. A good and effective governance structure is imperative for the preservation of both the family and the business," he added.

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About Singapore Management University

A premier university in Asia, the Singapore Management University (SMU) is internationally recognised for its world-class research and distinguished teaching. Established in 2000, SMU's mission is to generate leading-edge research with global impact and produce broad-based, creative and entrepreneurial leaders for the knowledge-based economy. SMU education is known for its highly interactive, collaborative and project-based approach to learning, and for its technologically enabled pedagogy of seminar-style teaching in small class sizes.

Home to around 8,800 undergraduate, postgraduate, executive and professional, full- and part-time students, SMU is comprised of six schools: School of Accountancy, Lee Kong Chian School of Business, School of Economics, School of Information Systems, School of Law, and School of Social Sciences. SMU offers a wide range of bachelors', masters' and PhD degree programmes in the disciplinary areas associated with the six schools, as well as in interdisciplinary combinations of these areas.

SMU has an emphasis on generating rigorous, high-impact, and relevant multi-disciplinary research that addresses Asian issues of global relevance. SMU faculty members collaborate with leading international

researchers and universities from USA, Europe, China and India, as well as with partners in the business community and public sector, through its research institutes, centres and labs. SMU's city campus is a state-of-the-art facility located in the heart of downtown Singapore, fostering strategic linkages with business, government and the wider community. www.smu.edu.sg

About Business Families Institute @ SMU

SMU established the Business Families Institute (BFI@SMU) in August 2012 in response to the growing needs of business families in Asia. Since 2010, SMU had recognised the emergence of Asian business families and discerned that they require specifically contextualised thought leadership and applied knowledge.

With this in mind, BFI@SMU intends to collaborate with various partners, academic or otherwise, to be a knowledge leader in Asian business family-related education, engagement and research. The Institute will address business family-specific issues such as family, ownership, business succession and governance. The vision of BFI@SMU is to facilitate business families in Asia to develop, harness and leverage their family and financial capital across generations. <http://bfi.smu.edu.sg/>

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