Publication: The Practitioner
Date: August 2016
Headline: Changing times for business families in Asia: The role of family business advisors

Family firms play an integral role in many of Asia's economies. Unlike their counterparts in the United States and Europe, which have several generations of sustained transitions, the majority of Asian family firms (with the exception of Japan) are relatively young. Many are still predominantly in the midst of transitioning their businesses from either first to second generation, or second to third. As generational leadership transitions take place, businesses also evolve.

Due to the relatively young life stage of these family firms, their wealth will likely have been created through entrepreneurial pursuits. As a result, they have to grapple with issues such as the interaction between the family and the business, the distinction between family and business roles, and succession and governance. At this critical juncture of their business, family firms need to put in place considerable practices and measures to evolve successfully over time.

Family business advisors have a key role to play in this evolution process. They are well-placed to help business families cope with changing dynamics related to the family or the business, or both. Given the complexity of the structures of the family, the ownership, and the business, advisors can play an integral role in balancing the demands of these three overlapping dimensions.

However, a single advisor may not have all the competencies needed to address the myriad issues that the family or business faces. Hence, close consultative partnership between advisors and family members is critical. Advisors should be receptive to working with a multidisciplinary team in order to provide optimal advice and solutions to the families they serve, as well.

In addition, advisors need to be cognizant of the definition of success in family firms. Besides growth in the business itself, the family should also be able to stay together. What then would be the key issues that advisors need to look out for when working with family firms in Asia?

Understanding Culture and Values

A recent survey by the Business Families Institute @ Singapore Management University (BFI @ SMU) and Deloitte on "Asian Business Families Governance: Crossing the Chasm for Inter-Generational Change" found that Asian families value harmony. Yet only 15% of respondents currently have a code of conduct in place to facilitate the resolution of conflicts, and only 10% identified 'conflict and communication' as an area in which families can benefit from training and support.

The same survey also revealed that 84% of the surveyed family members are willing to put in more than the requisite effort to ensure family business success. They are proud of what their founders have built and aspire to preserve the legacy. As such, it can be assumed that they would be willing to take necessary precautions for wealth preservation and become strong supporters of developing systems of governance in the family business.

Christopher Po, CEO and president of Century Pacific Group (CPG) of Companies in the Philippines, shared his family governance journey:

"As our father is getting old and having witnessed many family business feuds in the Philippines as well as other parts of Asia, we know that family harmony is critical in the sustainability of the business. With the fear of dissolution of the family business, the most worthwhile investment that the family made was getting a trusted non-family advisor to help the family develop the governance blueprint."

The ability to place family unity above self is a key ingredient to sustaining family businesses. Upon this foundation, trusted advisors can help provide objective recommendations and offer advice on best practices, ranging from forming a family council and holding family meetings, to facilitating business succession and helping the family evolve harmoniously.

Developing the Next Gen Leaders

In another study by BFI@SMU and Deloitte on "Asian Business Families Succession: Going the Distance with the Next Generation," 82% of the business families surveyed indicated that non-family advisors are valuable in developing and mentoring their next generation for critical roles in the family business. This is particularly true for Kanbawza Group of Companies (KBZ), one of the largest privately-owned diversified group of companies in Myanmar.

Nang Lang Kham, Executive Director, KBZ Bank in Myanmar shared her insight:

"KBZ is undergoing a period of immense change and transformation. We are reviewing our business structures to see what needs to be changed. We are also transforming and reengineering our business processes. We very much understand the changes in politics, economics and foreign policy that require us to adapt to the new environment. We are identifying and developing our next generation of leaders and trusted advisors who will help provide guidance and directions."

Family business advisors can play a crucial role in balancing the needs of the family and the business, as well as in developing next generation members for succession. They act as a dependable resource and conduit to bridge the next generation members' knowledge and experience gaps in some areas of the business. An extensive amount of time and patience is invested in grooming next generation leaders into responsible owners and stewards of the family business, and trusted family advisors have an important mentoring role to play in this process.

Publication: The Practitioner
Date: August 2016
Headline: Changing times for business families in Asia: The role of family business advisors

Riding the Transformation Wave
The strategic path for family businesses is to constantly transform the business via innovation as the company goes through its business life cycle and as industry restructuring takes place. This is particularly the case for Southeast Asian family firms that are challenged to scale their core businesses in a highly globalised and competitive business environment. In a separate BFI survey supported by United Overseas Bank (UOB) on "Riding on Asia's Economic Transformation – Growth Strategies of Asian Business Families," we found that priorities differ for family businesses in different parts of Southeast Asia.

Respondents from Singapore prefer to innovate through the introduction of next generation products (80%), while the rest of Southeast Asian business families prefer to reduce their consumption of raw materials (82%) and to lower production costs (82%) to drive business growth. Patrick Chong, founder and CEO of Luxasia Group in Singapore, envisioned his plans for the future:

"I started the Luxasia business with my partner in 1986 in Singapore and Malaysia. As the future is different, it is key for us to transform ourselves and shift our thinking. We had rebranded and repositioned our business objectives. To remain ahead of the game, we have to evolve from a distributor to be a market maker. This transformation would require us to bring in an incredibly talented and dedicated team of like-minded family members, professional managers and advisors with the right set of values and skills."

Family business advisors are needed to help families in business turn innovative ideas into action and help them transform the traditional business model into new ways of doing business with their professional and domain expertise. This is especially vital in instances where the owners have no prior experience working outside the family firm nor possess the skill sets relevant for their businesses to take the business beyond current markets or customer segments.

In conclusion, family firm practitioners must understand that while Asian business families are young, the culture and values that bind the earlier generation(s) are no longer enough to unite everyone in the extended family. Family business advisors should start communicating to the inter-generational family members about professionalising their family businesses while the current generation is still active in leading the firm. Second, evolution is also about preparing and mentoring the pipeline of next generation leaders. The formation of a family office and having an advisory panel are some ways to help with this development. In addition, as many next generation members innovate and pursue new businesses, advisors are valued for their domain expertise in areas like business, finance, wealth management or private equity knowledge. Finally, as business families evolve, advisors can well-serve their families only by having their own network of partners and families for Asian families to connect with and learn from. The evolution has just begun.

About the contributors

Annie Koh, an FFI board member, is the vice president for Business Development and a professor of Finance (Practice) at the Singapore Management University (SMU). She is also the academic director of Business Families Institute @SMU. She can be reached at anniekoh@smu.edu.sg.

Esther Kong, CFBA, is the deputy director of Business Families Institute @ SMU. She can be reached at estherkong@smu.edu.sg.