Publication: The Edge Singapore
Date: 18 November 2013
Headline: Business families still need succession planning

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Jamie Lim recalled how her dad and founder of furniture retailer Scanteak tried to lure her away from her fledging Hollywood career using a business-class air ticket from Los Angeles to Taipei and a sumptuous meal at a fancy Japanese restaurant lasting two hours — the kind of lifestyle she could not afford with her job marketing movies.

"I was trying to figure out what my dad was up to," recalls Lim of the incident some 10 years ago. During dinner, her father Lim Pok Chin, threw down the gauntlet: "What if you have a business in which you can make a difference?"

Knowing she could only make a limited impact as a studio executive, she accepted her dad's challenge to go into the family business. Since joining Scanteak in 2005, Lim has helped expand the company's presence across the region, while picking up a slew of marketing and branding awards along the way.

More interestingly, Lim's mentor in the company was not her father, but a loyal employee who had worked at Scanteak for about two decades. According to a study of business families across the region by the Business Family Institute (BFI) of the Singapore Management University (SMU) with the support of Deloitte Southeast Asia, Lim's situation is not the exception.

More than four out of every five, or 82%, of the respondents were in favour of employing non-family professionals to help mentor the next generation in critical roles. These outsiders were also viewed by family businesses as critical players in other functions such as the selection of new leaders.

"Don't short-change your advisors. You always need a different set of lenses to see objectively," explains associate professor Annie Koh, academic director of BFI, which was formed in August last year.

"Compared to the family businesses in the US and Europe, those in Asia are still in their infancy," says Koh. "There are also limited research data and resources available in this part of the world. The knowledge that we have been able to gather from this pioneering study is going to be very valuable and insightful to Asian families, and will facilitate openness and learning, knowing that they are not alone in wanting more developmental platforms to facilitate succession," says Koh, who is also SMU's vice-president for business development and external relations.

In all, responses from 83 families were used in the study. The three most common nationalities of the families who took part were Singaporean, Thai and Indonesian. Responses also came from Malaysia, Vietnam, Myanmar, China, Japan, the US and Europe. More than half, or 52%, of the family businesses already involve the second generation. The trade include food and beverage, hospitality, manufacturing, transport and logistics.

Issues surrounding succession-planning are always at the forefront of the family businesses. Take Neo Tiam Boon, CEO of TA Corp, which deals with construction and real estate. His elder brother now chairs the company, which was founded by their late father. Aware that his brother's management style was "dictatorial", Neo took nearly a year to decide to join the company.

To help diversify and expand the business from construction and beyond Singapore, the brothers ventured into real estate — a business that entailed significant leverage. During the global financial crisis, they decided to float the company after calculating they would owe the banks some $800 million personally if the company went bust. So by going public, they could transfer the liabilities to the company.

Koh notes that many successful business families still struggle over the implementation of succession plans. According to the survey, 66% cited the lack of "talent inventory" among the next generation as the main reason. The second most common response, at 57%, was the fear of stoking sibling rivalry. Two other reasons were fear of discussing the future beyond the lifetime of the current generation and fear that change would disrupt the continuity of the business, both at 46%.

The study also found that 77% of founders preferred "overwhelmingly" to have another family member take over the business. Yet, the founders were only willing to cede management control when they were in their 70s. In contrast, 65% of third-generation business owners were open to non-family professionals taking charge. "You have to understand that this is their baby, their blood, sweat and story," says Koh, referring to the reluctance of founders to step aside sooner.

John Riady, another panelist and grandson of Lippo Group founder Mochtar Riady, offers a different perspective. He notes that his 85-year-old grandfather, whom he accompanied to China recently, "still has the excitement of a 21-year-old". E