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Survey finds such firms lack internal structures and governance practices

By PHYLLIS HO

ALL companies have to grapple with the issue of the succession of key leaders eventually.

But a new survey has found this process can be more difficult for family-owned businesses owing to a lack of internal structures and governance practices.

The Singapore Management University's (SMU) Business Family Institute found that while 85 per cent of the 102 business families surveyed expect to undertake succession planning within the next five years, only 17 per cent have structures in place to facilitate this process.

A business family is defined as one with at least two family members in key positions, or one in which two or more family members collectively own more than half the firm.

The survey also found more than 80 per cent of family members cared about and took pride in their firm. However, only 56 per cent felt included in business matters and decision-making.

Still, Professor Annie Koh, SMU's vice-president for business development and academic director of BFI@SMU, cited a "chasm" between what family firms hope for and what they do.

For instance, 71 per cent want to establish decision-making bodies, but only 12 per cent have a working governing body elected by the family to coordinate their interests.

Presenting the survey's findings yesterday, Prof Koh concluded that family governance practices remain in the early stages of development and adoption here.

However, these practices are insufficient to ensure continuity of the business within the family.

Dr Wong Kam Shing, managing director of Kowloon Watch Company, told a panel, comprising those in family businesses sharing their experiences, yesterday that there needs to be room for younger generations to pursue a career with the family.

Possible solutions include diversifying the business to allow family members to manage the areas they are each keen on, he said.

However, Mr Ho Ren Hua, vice-president, executive director and country head of China at hospitality player Banyan Tree Holdings, said the young might still have second thoughts.

Mr Ho, 33, the son of Banyan Tree founder Ho Kwon Ping, said: "You're going to have 20, 30 years ahead of you. You have to come in with a long runway. I think one of the biggest dangers for any second or third generation is claustrophobia.

"The idea of developing your passion, having your autonomy, is important because, ultimately, it's about sustainability. Why come back to the family business after three, four, five years then go on and do something else?"

Family firms looking for guidance can turn to master classes run by SMU. Prof Koh said new teaching materials for these classes intended for family firms will be ready next year.

A book featuring exemplary business families, and highlighting their experiences in succession, family governance practices and strategies will be out in 2017.

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The panel made up of those in family businesses comprises (from left) Dr Stephen Riady, executive chairman of OUE; Mrs Michelle Sassoon, president and chief operating officer of Rubina Watch Company and The Coffee Bean & Tea Leaf; Dr Wong Kam Shing, managing director of Kowloon Watch Company; Mr Ho Ren Hua, vice-president, executive director and country head of China at Banyan Tree Holdings; Mr Rehan Amarasuriya, director of BP de Silva Holdings; and Mr Ankesh Shahra, director of Ruchi Agritrading. The panel was moderated by Professor Annie Koh (right). PHOTO: SMU