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YOUNG BLOOD

BY MINDY TAN

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EVEN as succession remains a top-of-the-mind issue for Singapore's business families, that the younger generation is now actively playing a part in the business means that an interesting set of trends is emerging within the realm of family businesses.

From introducing technology and innovation into companies to a heightened awareness of and participation in philanthropy-related initiatives, young leaders are starting to shake up companies and change the way that they operate, according to market watchers.

There has, particularly, been a rise in philanthropy-related initiatives. Andrew White, a portfolio manager at family investment office Sandaire, notes: "The definition of socially responsible investing has evolved over time . . . It's not new, it's just had more press recently, but it's certainly become more important. People have been investing in ethically sensible ways for quite some time but they probably didn't use the term 'socially responsible investing'. In general though, we find that millennials are more socially aware than the generation before."

Annie Koh, academic director at Singapore Management University's Business Families Institute (Business Families Institute @SMU) also noted that the next generation are rethinking the way that they give. "Nowadays, they are moving from giving to creating impact by aligning their investment choices to their preferred charitable causes. Hence, they invest into impact investing or socially responsible investing," she says.

Family firms are also increasingly leveraging their philanthropic platforms to initiate their next generation into family leadership roles. Says Sandaire's Mr White: "We work very closely with the younger generation of a number of our families; often, younger family members may sit on their investment committee along with the generation above, so that they may represent the views of the younger generation."

One of the ways that some family businesses are operating outside of the norm is through forming startups, says BFI's Dr Koh. "Forming startups is a good platform for the next generation to collaborate and learn. Inter-firm ownership and trans-corporate networks are usually formed through this collaboration and learning. For example, John Riady has invested and consolidated his startup vehicle of the Lippo Group to invest in new businesses for the family firm."

UNDER PRESSURE

In addition to dealing with family-specific issues, family firms, like other businesses in Singapore, are also responding to the disruptions that are bubbling up in their respective industries. As more second – and in some instances third – generation leaders start taking on leadership roles in the business, the older generation are letting the next generation lead the innovation which is needed to effect the transformation into a manpower-lean, technology-leveraging business.

Some have even turned to professionals as they expand their businesses. In 2015 for instance, YCH Group entrusted the leadership role of CEO to Bennett Neo while second-generation owner Robert Yap, who held the position for over 30 years, assumed the role of executive chairman. Meanwhile, BP de Silva is managed by non-family member Wee Swee Poh together with the fifth-generation family members.

According to the Family Business Network (FBN) Asia, more than half (and increasingly more) of family businesses are professionalising their businesses at the operational management level. While this figure is anecdotal, Angelyn Sng, director, membership and programmes, FBN Asia, notes that family firms in the network have been professionalising the business executive functions, especially when growing and expanding overseas. That being said, family owners and shareholders tend to retain the strategic planning functions, or at best leverage on the expertise of trusted and loyal non-family advisers.

MANAGING SUCCESSION

But all experts concur that at the heart of it, the largest concern faced by family businesses is the question of succession. As the majority of family firms in Asia were established in the 1960s and 1970s, there is now a wave of succession events.

Indeed, succession is a particularly critical issue for Asian family businesses due to the equal inheritance pattern of family assets, says NUS Business School's Chung Chi-Nien. With every child (usually the male descendant) getting an equal share of the inheritance, such practices may dilute the ownership structure over time and induce conflicts within the family and jeopardise the firm.

Depending on where they are in their evolution, the issues that these businesses face can differ. Businesses in the first generation, for instance, focus their attention on issues such as growth strategies and vision of the founder. In the second generation, consolidation is needed, says SMU's Dr Koh.

"Ownership issues are slowly emerging at this stage. But culture is still evolutionary as the second generation is still building on what the founder built. In the succeeding generations, the business and ownership is more complex. Family dynamics intensify and culture at this stage could be evolutionary, revolutionary, or both."

These same trends are recognised at FBN Asia. Indeed, stakeholders – particularly scholars and professionals offering services and advice to family businesses – maintain that even as they see family businesses grappling with these succession issues, they are still not allocating sufficient attention, time and resources to resolve them.

One way in which family businesses are increasingly finding support is through sharing sessions and networking with other families. "Families, particularly business owners, tend to be very private and think their issues are unique unto themselves . . . As part of an international organisation of multi-generational business families which are committed to continuity, our member families believe all families in business face similar issues at the same stage of development," says FBN Asia's Ms Sng. Such informal sharing sessions are catching on fast. The Singapore Chinese Chamber of Commerce and Industry (SCCCI) for instance, has been actively engaging members that are family businesses. In addition to the report it compiles together with PricewaterhouseCoopers, it is also holding a networking cruise organised for young entrepreneurs as part of its 110th anniversary celebrations this year. The cruise will feature international speakers before participants break off into groups to continue to talk about family business issues. The event is extended to the youth groups of the Chinese chambers of other Asean countries.

Indeed, much can be learnt among themselves when sharing sessions are facilitated. Networking is also a method that Sandaire employs to help its clients. "We help families talk to other families who are in the same situation, to find out how they address those issues within their own family for instance," says Nadav Lehavy, managing director at Sandaire.

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*– **Nadav Lehavy** (above), **managing director, Sandaire***

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– Annie Koh** (left)**, academic director, Business Families Institute, Singapore Management University

"Succession planning is always a concern. What has changed, if you are comparing now with 20 or 25 years ago, is that there is more knowledge, more academic research, and families have grown and have had more experiences. Sandaire and families . . . are willing to share their experiences – what worked for them and mistakes they've made along the way – so if you think about our clients and prospective clients, and generally conversations that we have, succession planning for not only corporate affairs but also private affairs are still first priority for families."

Ultimately, business families need to resolve their motivation for staying together as a business and finding the commitment, resolve and ingenuity to continually perform as a business. Indeed, beyond business acumen and leadership qualities, they need to have real affection for the business and family, and have a willingness to be servant leaders. As one of FBN's members put it: "The greatest threat to the long-term survival and success of any family business has less to do with the management of the business than it does with the family, especially with the relationships among the key players, the family members. Relationship is the language of family business. This principle is at the heart of the success or failure of family business. The knowledge and skill for managing family relationships is often overlooked and ignored when running a family business."

Says NUS's Prof Chung: "Family firm executives, especially those founder-executives, need to be brave, willing to take risks, and not be afraid of failure. Uncertainty is the new norm and they will only know through trial and error that they are on the right track." ■