

## ENTREPRENEURSHIP

# Business founders can hand baton to next generation

But they have to nurture family members by developing talents and empowering them to act

Randel Carlock and Loh Keng Fun

China, the world's second-largest economy, is driven by privately owned businesses that generate an estimated 60 per cent of gross domestic product. More than 3 million of these firms are owned and run by founders—now in their 60s and 70s—who intend to hand the business to family members. A transition of this size has not happened before anywhere, so how is it going to work?

Let's start by looking at an example, a composite of several companies we encountered during a research project.

Ma Zhenjiang is a successful entrepreneur who founded Ma Enterprises. The manufacturing company has sales of more than 600 million yuan (HK\$688.6 million) and a staff of 900. Ma is 61 years old and had always assumed his only child Adrian, who graduated from Imperial College London in engineering and has an MBA from INSEAD, would succeed him as chief executive and owner. On a recent family holiday, Adrian told his dad that he was planning to join an internet start-up. He was hesitant to work in the family business because he didn't see a real opportunity to use his talents there.

Our interviews with Chinese entrepreneurs and their families suggest that the idea of passing the business to family members needs to be refined to reflect the realities of modern China.

The answer to many of the founder-entrepreneurs' issues is learning to apply professional methods needed to engage family (and perhaps non-family) executives—like developing their talents, empowering them to act and trusting their decisions.

There are three issues facing Chinese family businesses like Ma Enterprises. First, there is family psychology, which includes negotiating Chinese culture and a big experience gap between the generations. The second is planning, whereby the younger generation are brought around to seeing their family business as a good career opportunity. The third is leadership—the Chinese entrepreneurs must actively engage with their next generation about the possibility of creating a family business together.

A founder must learn to lead by "helping others do more". He

or she must become both an entrepreneur and a leader, who not only focuses on growing the business, but also looks into professionalising the firm and empowering the next generation.

Becoming a family business is a possible next step, but it requires a shared belief that family ownership is a good option. This belief needs to be developed through communication and planning together for both the family and the business to garner a strong commitment from the next generation.

The tools for addressing these three challenges form the basis of the parallel planning process that is discussed in the book, *A Family Business on the Moon: 24 activities to plan your family and business future*, which specifically meets three family business-planning needs:



**Becoming a family business ... requires a shared belief that family ownership is a good option**

- First, it enables and encourages communication about the family's values and vision;
- Second, it teaches the parallel planning process to help families work together to use their values and vision as the driver of their family and business strategy, investment and governance; and
- Third, it helps the next generation recognise how they can contribute as leaders, directors and owners.

Planning their own future helps business families strengthen and exploit family ownership and the advantages of long-term thinking. This book demonstrates the importance of each family developing their own plans to "write" their own story.

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