

## How Singapore's family-owned SMEs can shoot for the moon

A handover from founders to the next generation is a difficult topic for many family businesses. **BY RANDEL S. CARLOCK AND KENG-FUN LOH**

**L**OCAL small and medium-sized family-run companies with an ageing leadership and concerned about their legacy and the longevity of their business can turn to the moon for inspiration.

A PWC report in 2016 finds over a third of Singapore's family businesses are still led by the founder, and around half by the second generation.

Professionally planning for succession is still a relatively new idea here. While you'd expect that most of the family businesses here would already be putting in place their plans for the next generation of leaders and owners, a survey by American Express in 2016 indicates most SMEs here have not yet dedicated the time or resources to formalise succession planning.

Our experience working with families around the world has taught us that sustaining a family business after the passing of its founder or first-generation leaders requires extensive and long-term planning similar in many ways to planning a space voyage.

Why? Like planning a voyage into space, making long-term business plans requires effective communication, shared values and vision, sound planning, a significant investment of talent and money, and accountability.

But the handover from founders to the next generation is a difficult topic to address for many family businesses. Things get increasingly complex when the business led by one powerful founder, becomes a "sibling partnership" or "cousin consortium" where decisions are no longer made by the majority of one. The fight for control can damage the business' performance and destroy family relationships.

To effectively plan for longevity and protect their legacy, business families can apply the parallel planning process (PPP).

This framework, developed by professors Randel S Carlock and John L Ward in 2001, helps founders and their family members develop plans that align their family and business future. While alignment for the business is essential, we argue that planning for the family is equally, if not more, important.

We updated the PPP framework in our new book, *A Family Business on the Moon*, a practical guide to help family businesses of any size shoot for the moon.

It challenges families to consider how they will achieve both business and family visions, what human and financial resources they are willing to contribute, and how they make decisions and ensure accountability.

One local SME with its eye on the moon is Keystone Cable, a manufacturer and supplier of cables for the building and infrastructure, oil and gas, and data communication industries.

In 2013, the firm recruited two INSEAD MBA graduates who were both working in Shanghai for major multinational companies. One of them is Pearl Yu, daughter of the company's founders, and the other is Derek Zhu, her husband.

Before joining Keystone Cable, Ms Yu had worked for Roche, a Swiss healthcare giant, and Singapore's Economic Development Board.

With her family's support, she persuaded Mr Zhu to change his job and industry by joining Keystone Cable. Today, she handles marketing and human resources for the company,

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while he manages its finance and supply chain.

The couple are being groomed for leadership roles as they work alongside company directors, some of whom are not members of the family.

"I'm still learning the ropes from my parents. They are involved in the overall strategy and direction of the company, but they have left oversight of the day-to-day operations to the management team," says Ms Yu.

"We are fortunate that we have a strong management team. Most members of the team have been with us for many years, providing a strong, stable force for the company."

Family businesses often struggle because family members lack commitment to a shared purpose or they fail to plan the transition of leadership to the next generation.

To protect family harmony, difficult subjects such as succession, ownership or governance need to be discussed. Avoiding them would only result in family turmoil.

Ms Yu says: "The business side of things can be talked about fairly logically, but once family ties come into the picture, it adds a layer of complex emotions."

"And because each family's values and needs are different, there is no prescriptive solution, but only one that your family has to walk through together."

"At the end of the day, if you are working in another company and you find that your emotions or aspirations are not adequately taken care of, you could quit. But it is not the

case with family businesses, you can't just quit family."

■ Randel S Carlock is the Berghmans Lhoist Chaired Professor in Entrepreneurial Leadership at INSEAD. He is also the director of The Family

Enterprise Challenge, an Executive Education programme for family business leaders.

Keng-Fun Loh is the Managing Partner of Family and Business Learning. She holds the Family Firm Institute (FFI) Certificate in Family Business Advising.

■ *A Family Business on the Moon* is available at all leading bookstores in Singapore and Malaysia and on [www.familyandbusinesslearning.com](http://www.familyandbusinesslearning.com). It is also available at bookstores on the Asia and Europe campuses of INSEAD in Singapore and Fontainebleau.

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