Advice to family firms: Plan your succession well

FAMILY firms should focus on proper succession planning to ensure business continuity, especially in the critical period after the founder dies.

Systematic and organised handing of control to the next generation can also prevent family feuds, said Dr Yupana Wiwattanakantang, an associate professor at the National University of Singapore Business School, yesterday.

She raised several high-profile examples, including the family business of Taiwanese tycoon Wang Yung-ching, founder of the Formosa Plastics Group, who died without leaving a will or a clear succession plan. This has led to family fights over his estate.

“Succession is very important. It’s complicated because of family dynamics,” she said. “So you’d better plan it well, and plan it soon, otherwise the family will ruin the business and the business will ruin the family.”

Bosses of family firms can expect to face some dilemmas. One major conflict can be between the family’s welfare and the firm’s value.

“For example, the patriarch has a responsibility to find a job for adult children of the family. If they are capable, that’s fine. But if they are not capable, then once you put them into the company, you’re going to have to hurt the firm badly,” said Dr Wiwattanakantang. “But if you don’t put your son in the firm, you cannot go home, because your wife will not let you in,” she added, with a chuckle.

Firms can trust outsiders with top jobs if faced with a lack of talent, or to hold the fort before the children step up to take over. But “loyalty is not free”, she noted, and firms will have to offer good pay and an equal chance for promotion to attract talent.

She was speaking at the Shangri-La Hotel yesterday at the launch of the nomination period for this year’s Enterprise 50 (E50) Awards.

Now in its 17th year, the E50 Awards recognise the 50 most enterprising, privately held local companies in Singapore across all industries. Nominations must be in by 5pm on July 15, and the list of winners will be published in the fourth quarter.

Applicants will be evaluated on criteria such as financial performance and the viability of their business model. The awards will also look at a firm’s ability to adapt to the ever-changing business landscape.

Past E50 winners have reported increased prominence in their industries, and greater recognition from bankers and customers. More than 100 past winners have also listed on Singapore’s bourse.

Mr Elvin Tan, chief executive of five-time winner XMH Holdings, said the firm has gained prominence and recognition from the awards. E50 has also helped the diesel engine distributor, which listed on the Singapore Exchange earlier this year, to attract talent.

The E50 Awards are organised by The Business Times and KPMG, and sponsored by OCBC Bank.

Business Times editor Alvin Tay said successful enterprises must be more innovative and continuously strive to offer a strong and unique value proposition to their clients, to stay ahead of competition.

The launch also featured some bosses of family-run firms speaking of their experiences in taking over from their elders. A number of firms said they had plans to sell shares to the public, as they grow.

Hock Tong Bee managing director Clinton Ang and Union Energy Group general manager Ellen Teo both said their firms have plans to list publicly eventually. Cyclect Group managing director Melvin Tan said his firm could list some of its business units.

JONATHAN KWOK