Success isn’t always a ‘family affair’

S’pore firms must look beyond succession by sons, say academics

By Gabriël Chen
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Two leading academics have said Singapore family companies that want to go global must seriously think about succession planning and look beyond the easy way out, which is passing the mantle to its patriarch’s own sons.

They point to the fact that few Singaporean companies make the leap to world status, and even fewer of those are family-owned ones. It is a different story in Japan, where many family companies have been around for 500 to over 1,000 years, notes Associate Professor Yupana Wijawanakantang of the National University of Singapore (NUS) Business School.

They have endured because they look beyond the patriarch’s biological offspring and consider professional managers and even “adopted” sons for running the business, she argued.

Business families in Japan continue to practise a form of arranged marriage called omiai (arranged seeing), where a daughter meets an approved groom selected by the patriarch, Dr Yupana told The Straits Times in a recent interview.

Japanese families may adopt adult sons if nature fails to provide a natural son, or provides inadequate ones. These sons can come from among the most promising top managers.

The new son usually takes the family name in a legal adoption process, swears allegiance to his new ancestors and in most instances also marries a daughter of the current patriarch.

It is this practice of bringing adopted heirs into family successions that is seen as being crucial to the longevity of many Japanese family companies.

For example, Kajima Construction is one of the largest construction businesses in the world. It is also a family company that has been run by a succession of adopted heirs for three generations.

Dr Yupana added that while it is unclear if this practice of adoption will take off in Singapore, local companies must be more open about succession alternatives.

“Culture matters a lot and you cannot impose culture norms on anyone easily,” she stressed. “What I should emphasise more is succession choices. It’s not just the son. You also have daughters and you can train them; and you can also hire outside managers.”

Dr Marleen Dieleman, associate director of the NUS Business School’s Centre for Governance, Institutions and Organisations, argued that if Singapore family companies want to become big international corporations, they must increasingly rely on professional managers, because family talent is limited.

According to a 2008 report from the United Nations Conference on Trade and Development, only seven Singapore companies were among the top 100 “transnational companies” from emerging markets.

There were hardly any family companies among the seven. Most were state-linked companies like SingTel, Capitaland and Keppel Corp, with the exception of Wilmar International, a Singapore-listed company headed by Malaysian tycoon Robert Kuok’s nephew Kuok Khoon Hong.

A transnational company refers to one with a substantial share of its assets and employees outside its home country.

Mr Lawrence Leow, president of the Association of Small and Medium Enterprises, said the retirement of founding patriarchs is an issue that is coming to the fore, as many have established their businesses and are getting older.

But the thinking of many a patriarch is that his son – preferably the eldest – should manage the business. If there are no sons, his daughter’s husband could run the business operationally, but the daughter will hold shares of the company.

Mr Leow said: “It’s not that family-run businesses are bad. Hong Leong Group and UOB Group are success stories. But there are cases where the next generation doesn’t want to be involved.”

Mr Kwek Leng Beng heads the Singapore arm of the Hong Leong Group, a conglomerate started by his father and uncles in 1940s. Mr Wee Cho Yaw is chairman of the United Overseas Bank, founded by his father and run by Mr Wee for 33 years until 2007, when his son Wee Ee Cheong became chief executive.

Indeed, Mr Hauw Wee, the 50-year-old group managing director of Tuck Lee Ice, has started to think about the future of his company, which was founded by his grandfather.

Mr Hauw said he is grooming his son Jeremy, 33, now general manager of the company, to take over his ice-making business.

“Ideally I would like him to take over, but if he’s not the best, he can’t. It’ll be very painful if he can’t,” he said. **gabrielc@sph.com.sg**