Family-linked firms have better performance, but accountability an issue
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Family-linked firms may get better returns compared to non-family ones, but corporate governance remains the biggest issue for such companies.

According to a survey of all companies on the Singapore Exchange (SGX) by the National University of Singapore (NUS), family-linked firms achieved an average return on assets of five per cent, compared to three per cent from non-family ones.

More than half of companies listed on the SGX are family-linked and made up almost a third of the total market capitalisation of about S$826 billion at the end of last month.

However, analysts are concerned about corporate governance in such firms. The survey revealed that 44% of chief executives in family-linked firms are also chairman of the board, nearly three times the figure in non-family firms. The practice is allowed under SGX rules but goes against the code of corporate governance.

Marleen Dieleman, associate director of the Centre for Governance, Institutions & Organisations at NUS Business School, said: "Family members tend to occupy quite a number of the important positions on the board. Therefore they have quite an influence on the firm, which translates into advantages. But there are a couple of risks, which is why it is also important to have high-quality independent directors on the board to give their objective and independent views."

Succession planning is another issue commonly faced by family-linked firms.

"The thing I most like to see would be boards having human capital on their agenda. The area where governance, human capital and strategy come together in companies is the area where there is most opportunity for upside," said Christopher Bennett, director at human capital advisory firm BPA Australia, in a report by Channel NewsAsia.

The NUS carried out the survey on all 743 firms listed on the SGX in 2010 and published its findings yesterday.