Wharton to study Asian family businesses

It ties up with SMU to add region to its trans-continental research project

By NANDE KHIN

ASIAN family businesses, being “younger”, are relatively more inexperienced when it comes to issues like wealth management, succession planning and philanthropy, says Raphael Arnit, the Robert B Goergen Professor of Entrepreneurship at the University of Pennsylvania’s Wharton School — one of the world’s top business schools.

Prof Arnit is the academic director and chairman of the executive committee of the Wharton Global Family Alliance (GFA), a private forum aimed at fostering productive collaboration, learning, and knowledge creation for large family-run businesses.

In town last week as a judge for the Lee Kuan Yew Global Business Competition finals, the professor tells BT in an interview that the biggest difference between Asian family businesses and their counterparts elsewhere is that the former are on average much “younger” due to the much shorter period of economic prosperity enjoyed by modern-day Asia.

“The vast majority of Asian family businesses are in their first or second generation or in transition from the first to the second generation,” he says.

“Yet in Western — in Europe and in North America — family businesses have much longer traditions. You can find family businesses that have been around for more than a hundred years.

“Here in Asia, issues such as how to handle succession, how to manage family governance, how to handle wills — all these things are relatively new, and so for Asian family businesses, it’s very important to benefit from the knowledge of Western families. If you will, without the fear of someone trying to sell them something.”

This is where the research of an academic institution like Wharton GFA will come in handy.

“We are not doing consulting, we are doing research and that is a big difference because we are not selling them something,” says Prof Arnit.

“We are addressing fundamental problems that are common to family businesses around the world in three domains — wealth management, corporate and family governance (which includes succession), management and hiring issues and philanthropy.”

And in order to carry out trans-continental studies on family businesses, Wharton GFA is teaming up with the Singapore Management University (SMU), Prof Arnit says.

Adding to the shine: Prof Arnit wants to show Asian family businesses that harnessing outside management can be beneficial to the business

“We are addressing fundamental problems that are common to family businesses around the world — wealth management, corporate and family governance — and it’s very important to benefit from the knowledge of Western families, explains Prof Arnit.

By the way, it’s very relevant to the wealth management of family businesses, so we are going to benchmark it which had never been done before.”

For example, an Indian family business is very different from an Indonesian one even though they are both Asian,” he added that Singapore, being centrally located in Asia, is a good place to keep an eye on the region and SMU was chosen because it had a “similar research orientation to Wharton”, especially in its belief in the importance of understanding deeply the workings of family businesses. Through Wharton GFA and SMU’s joint research, Prof Arnit hopes to show family businesses best practices of their counterparts around the world.

“The institutions created to do this work differs substantially between Europe, Asia, and North America. So the baseline objective is to highlight the best practices so that families can learn from each other and adopt practices that are suitable for them.

“For example, family offices in the West are example of an institution that is fairly well-established in North America, but fairly new in Asia. It’s very relevant to the wealth management of family businesses, so we are going to benchmark it which had never been done before.”

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