Ensuring a smooth transition

Four family business chieftains share their views on the various issues connected with succession in their enterprises

PASSING the baton in a family business can be a tricky affair. Besides operational and administrative issues, other factors can come into play, from different management styles between the older and younger generation to power struggles and family politics. Firms in the process may well become a serious setback or worse, signal the beginning of the end for the enterprise.

Four family business chieftains shared their views at a recent seminar organised by the O&B (SMU) Entrepreneurship Alliance Centre, as part of the centre’s fifth anniversary celebrations. Roland Ng of Tat Hong Holdings, Joseph Chng of Sin Hwa Foodstuff Industries, Mark Lee of Sing Lun Holdings and Clinton Ang of Hock Tong Bee may have come from different backgrounds and industries, and taken over the reins under different circumstances, but they do share one trait. They are living proof that family-based success can be viable for the business – provided certain conditions are met.

Cranes, clothes, sauces and spirits

For Mr Ng, Tat Hong Holdings’ managing director, many of his colleagues are also his siblings – seven brothers and five sisters. The company was founded by his father in 1970 as a supplier of cranes and heavy equipment. Though the business is largely run by family members, a line is drawn at the hiring of outsiders.

“For a business that had grown sizeable but aimed for further expansion, going public was a predictable next step – and Mr Ng, who joined the family business in 1979, backtracked those ambitions,” said the centre’s fifth anniversary celebrations.

Today, Tat Hong is among the largest crane leasing firms in the world, supplying cranes and heavy equipment to different industries, not just in Singapore but also overseas in a South-east Asian and China in Australia. For the full year ended March, the company’s revenue was nearly half a billion dollars.

For Ms Chng, managing director of Sin Hwa Foodstuff Industries, the job became purely aloof and under more trying circumstances. Ms Chng found herself taking over the reins of Sin Hwa at 21, when her father passed away. She was then in her second year at the National University of Singapore. She completed her degree nonetheless, with the support of her mother, who often prepared family lunches at the factory.

“The potential pitfalls of succession based on biology. There are less, with the support of her mother, who often prepared family lunches at the factory.

The enterprise,” said Ms Chng. “Towards the end of my father’s life, they eventually settled for a decent package because they knew if they didn’t end my father suddenly passed on, they would have to deal with me. And I’ve been told, with my American education and banking background, to have no grey areas. You have to do what is best for the business to go forward,” added Mr Ng.

Today, Hock Tong Bee, under Mr Ang, is better known as the Cornerstone Wines brand, which can be found in 29 countries across the Asia-Pacific.

The company is not simply a wine importer, exporter, wholesale and retailer of wines and spirits, but also provides services in areas such as investment, logistics, corporate gifts and event planning.

Values and tradition

Despite their achievements, this group of family leaders has not forgotten their roots. They maintain a strong sense of respect for their parents and the values they passed down. Worried that his father might feel lost what to do with his time after handing the company to him, Mr Ng started an investment company to keep him busy.

A junior employee passed away five years ago, leaving behind his widow and four children. Sin Hwa still under Ms Chng helped take care of the family. “Until today, our company still supports the family,” she added.

However, beyond family-like bonds, what matters most to Mr Ng when it comes to his employees is results and attitude. She empower’s them to pioneer new projects while granting them, even mapping career paths to assure their staff that key positions are not reserved for family members alone. “We have to treat everyone fairly and impartially. And we always need new leaders and fresh blood to keep the company relevant. I’m happy to say that we have a young and dynamic team and we work well together. Sometimes we can be very conservative... but sometimes they will also push me forward and say: ‘Let’s try and take the risk’,” said Ms Chng.

Tat Hong’s Mr Ng agreed. “You can’t depend only on family members if you want to grow a business as some of them are just operations people. You have to include out professional people,” he said.

However, to minimise complications, Mr Ng would not put an “outsider” in a department where one of his brothers was already in charge as it would “create relationship problems”. Explained Mr Ng, “My brother would wonder why I hired someone to replace him when he was already doing well. As the company expanded overseas and new branches were opened, “outsiders” became more necessary. The practice would have the space to grow the company without having to fire his managers on projects he believes that it was a possibility. Mr Ng said that his business is already 20 per cent run by non-family professionals. “When you grow to a certain size, you cannot treat your company as a family business. You must have systems and professional people in place.”

Even if his son succeeds him, he added, there will still be many overseas business units run by non-family members.

All four panelists agreed that communication, of mindlessness and strong leadership are, by far, the most important considerations. Mr Lee noted that the older generation must be open to suggestions from others. “Sometimes as the business changes, we need to absorb new people and the younger generation also needs to articulate their ideas coherently in terms of dollars and cents,” he said.

Ultimately when it comes to making a decision, there is a two-year lead up. The leadership must have a clear vision of where the company will go in the next five to 10 years. “I tell my family that we can put our brains together to brainstorm over a new project, but when I say ‘go’, you cannot turn back, as there must be only one leader,” said Mr Chng.

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