

BUSINESS FAMILY INSIGHTS

STARTING SUCCESSION PLANNING EARLY

by Genevieve Cua

Derrick Yap, chief executive of PBA Group, says his dream is for PBA to be a 100-year old company

AN OWNER of a family business typically engages in succession planning at a fairly late age, perhaps in his or her 60s or even 70s. But Derrick Yap, chief executive of PBA Group, has been grappling with the issues germane to succession planning since his mid-30s. He recently turned 40.

He has a long-term vision: to build a legacy through PBA that will be sustained through generations. The company, with a presence in 10 countries and over 500 staff, is recognised as a leader in robotics and automation, an enabler in the manufacturing of the future, commonly referred to as Industry 4.0.

"I'm only 40 but within the group, we're already planning my succession. That forces me to think of what I hope to leave behind. I hope the company becomes a corporation with systems and structures not dependent on an individual or a family decision. How do we find the best COO or CEO, when do we make investments? Only with a corporatised system in place can the business last a few generations."

He adds: "My dream is for PBA to be a 100-year old company. For that to happen, succession planning has to be a standard operational procedure."

PBA today is in an enviable position. The seeds of PBA's success were planted in 2010 when the company, founded in 1987 by Mr Yap's father Tony Yap as a distributor of engineering parts, mulled a potentially lucrative pivot into higher value added activities such as R&D into automation and robotics, and manufacturing.

At that time, the traditional business was thriving; there was no immediate reason for an overhaul.

"When we first started this transformation we were unsure how to do it ... Our challenge was killing off old businesses which were profitable, building a new business, and yet maintaining enough money. My dad started the company with one brand, which was still bringing PBA good money. But we took the difficult decision to kill that off to reinvent ourselves."

He likens PBA to a phoenix, the mythological bird able to regenerate.

"At every juncture, from a distributor to a product owner, and from a component maker to a platform, we've had to shed our past and rebuild ourselves. Change has become a constant to keep us moving. By constantly rebuilding ourselves, we grow to be fearless about change, and that in turn inspires our customers and partners to work with us."

ONE of the big challenges was getting the elder Mr Yap onboard. "I can only imagine how difficult it was for him. He is risk averse and prudent, and it was a field he had little understanding of. He let us take the risk, but it took a lot of convincing."

The elder Mr Yap enlisted older staff to play the role of defenders and goalkeepers, in football parlance, to keep excessive risk at bay. "They held the fort and held us back when we got too aggressive. It was a good balance."

He has made progress on succession planning. In terms of group structure, for example, he has organised the business lines into three: Precision robotics, general robotics and repair and overhaul services. This paves the way for the hiring or grooming of three business heads.

"In succession planning, we have to look at the skill sets required. If it is hard to find one person, then we'll need a few individuals. In the past we were one huge group. Now technically I can find three heads who will have a good understanding of more segmented business groups."

He has also formed a board of five directors and one independent director, Annie Koh, who is academic director of the Business Families Institute.

He expects board members to share objective points of view which take the emotions out of decision making. "I appreciate an opposing point of view more than a 'yes' man."

Over the last couple of months, the group has also articulated its culture called the "PBA creed" which crystallises a set of values that would keep the compa-

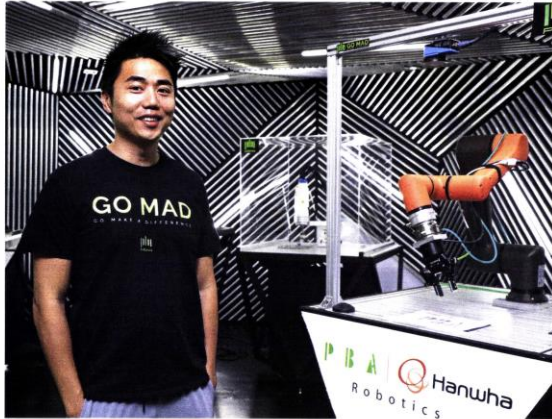


PHOTO: YEN MENG JIN

"I'm only 40 but within the group, we're already planning my succession. That forces me to think of what I hope to leave behind."

Derrick Yap (above), chief executive of PBA Group



"Business families need systematic succession plans to ensure a smooth transition to the next generation. One of the key elements of successful succession planning includes professionalising the management of the family business. In addition, from our recent research survey – The 3Cs of Innovation in Singapore-based Family Businesses, we concluded that innovation cannot happen in isolation. Sustainable entrepreneurship exists if there is innovation which calls for an ecosystem approach. There needs to be commitment from business families; capability building by tapping government, start-ups, educational and innovation labs; as well as collaboration with MNCs and other family firms."

BFIS@SMU

This column profiles business families and how they approach issues of governance and stewardship. They support the Business Families Institute's mission. SMU established BFIS in 2012, in response to the growing needs of business families in Asia. It encourages business families to Think Generators, Think Growth, Think Giving and Think Global.

ny competitive and innovative. The creed, he says, is distilled from characteristics he and his team have observed from successful hires.

"I wanted the creed to clearly define us. I asked myself – among the people we employed, who has seemed to be the better fit? If we could list the characteristics down, hard skills aside, recruitment managers can use this."

ONE of the values, for instance, is agility. In this respect decisiveness is important, and failure is okay. Quoting from the creed: "Take calculated risks. Indecisiveness is worse than making a wrong decision ... Fail fast, fail cheaply. Celebrate failures by learning from them."

"To encourage a career path for staff, he is looking into a system of mentorship, tapping both internal and external mentors."

"There is an art to mentor people and to receive mentorship. Receiving is almost more important than sharing. A mentee needs to ask the right questions and execute tasks that the mentor gives. A mentor has to be careful not to give instructions, but to give advice."

The group has also hired two career advisers who are tasked with counselling and consulting with staff on their career aspirations. This involves being open and nimble enough to offer staff options should they express the desire to switch from their current job scope.

The career adviser appointments are not for profit, he says. "Interestingly, it took on an evolution of its own. We wanted our HR to be more strategic than just operational. We have 500 staff. We'd love it if the staff can come to us and say, 'I'm bored with being a purchaser. I'd like to be in logistics. Often we don't give staff the opportunity and so he leaves and we have to train someone new."

"So if the staff goes into logistics, with an understanding of how purchasing works, he'll be more appreciative of the culture of the larger PBA Group."

The career advisers are given autonomy and the assurance of confidentiality in their discussions with staff.

An essential part of the culture is an openness to opposing views.

This value is built into management's key performance indicators.

"We envision PBA as a company in which all levels are innovating ... We want teamwork and openness as our culture. So if you're the top sales guy, you have to make sure your business units are open and sharing. If you yourself don't show this trait, part of your commissions may be deducted. We stand by what we say; we're still improving. We need to be open if we're to operate as a global company."

ABIG part of Mr Yap's legacy will surely be his commitment to education through RACE (Robotics Automation Centre of Excellence), a not-for-profit initiative targeted at novices in robotics as well as those who have been displaced and are looking to upgrade their skills.

Since its establishment in 2016, RACE has trained about 500 people, in both short courses lasting days and longer courses of up to six months.

"We believe in CSR. And we believe that contribution to society can be more than just money."

"It should be what PBA is best at – our robotics and automation technology ... We have an average placement rate of over 70 per cent, and our RACERS have an average of 25 per cent higher salary than before. This is a great validation of the quality of work RACE is doing."

There are plans to expand RACE into the region, starting with Malaysia and Thailand. Mr Yap envisions creating an ecosystem for eventual collaboration.

"We believe if we do a good job, everyone will have the same understanding of the technology platform. If everyone learns a different technology we can't collaborate. In RACE we're on the same technology, so in South-east Asia engineers may train different companies but we can work together on larger projects."