

Edge Weekly The Edge Billion Ringgit Club: Family values key to sustaining a business legacy

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POSSESSING an entrepreneurial spirit, educating the next generation and having a deep sense of responsibility towards stakeholders are important elements to sustain a family business, said Priscilla de Moustier — a ninth-generation member of the Wendel family and board member of the International Family Business Network (IFBN) — in her keynote address entitled “Why are Family Businesses Unique and Important for the Economy”.

She attributed the longevity of the Wendel family business, which has lasted 310 years, to the above factors.

“For generations, we have had an entrepreneurial spirit and we have always kept it going. Throughout our company’s ups and downs, we knew it was always possible to start again [with this spirit]. We also hold values and have a deep sense of responsibility towards our industry, population and shareholders.”

The Wendel group was founded in eastern France in 1704, specialising in steel and iron. In the last 35 years, the company has evolved from iron and steel to investment holding. It invests for the long term in companies, including Bureau Veritas (the world’s second largest provider of compliance and certification services and laboratory tests) and Stahl (high-performance coating and leather finishing products), as the majority shareholder. Last November, it made a ¥3.3 billion investment in Nippon Oil Pump Co, which designs, manufactures and develops trochoid pumps.

The Wendel family currently has 1,050 members all over the world. All the executives on both the holding and listed company boards are non-family members.

De Moustier said the family business had weathered many crises, including wars, revolution, nationalisation and technical.

“During the global financial crisis in 2008, a listed company in which we had recently bought a large number of shares lost half its value, so that was a major issue. At the same time, a new member of the family holdings went berserk and started a family crisis, so much so that it appeared in all the major French newspapers.”

This has made passing on the family and company values to the next generation all the more important. To educate and foster better ties, the Wendel family organises many activities and programmes. The goal is that each family member should be a responsible shareholder and make the right decision when voting, based on educated information.

De Moustier said among the many activities are two family annual general meetings (AGMs). “The first family AGM is just a meeting, where the family is able to not only meet each other but also the executives of our listed and unlisted investments. Then, each board member organises an intimate meeting every year where members can ask all the questions they would not want to raise among 400 people [in the larger meeting]. So if there are issues, we can address them in time and give the right

explanation.”

Entrepreneurship is something that the Wendel family wishes to continually cultivate and has created a club to help foster it. Every month, an entrepreneur from the Wendel family comes to a breakfast meeting to share his success stories or failures.

“We have an entrepreneurship prize, where one or two out of 15 candidates every year will receive financing and [business] coaching,” said de Moustier.

In order to communicate more effectively with the family, there is an intranet system that not only updates the members on the businesses but also enables them to network with each other the world over. Apart from that, there are family dinners to discuss various topics and training sessions for shareholders on how to read the annual financial accounts of the company.

“Some of them are in literature or are doctors who don’t know how to read these documents, so [hopefully] they will become more informed shareholders,” said de Moustier.

For the Wendel family, transition is not as difficult as before. “There is less of an emotional aspect to it. [Rather], it’s about educating and getting people to be responsible [regardless of] which generation or phase of business they are in,” said de Moustier, who contrasted this with Asian family members, many of whom are first generation and face issues in handing over the baton to the next generation.

“The first transmission is the hardest. The founder and creator finds it difficult to let go and he’s been so busy doing his business that there is no time to trade values or responsibility. [On the other hand], the children may not want it [succession] because they have seen their father spend all his time there and they don’t want to lead that life,” de Moustier tells *The Edge*.

Family succession is also different in the East and West. “In Europe, you have to share equally between boys and girls, so it makes succession completely different. In Asia, the eldest son usually inherits the business. This can be easier but it can also make things more frustrating.” — *By Tho Li Ming*.