

Succession planning crucial for sustainable business legacy In The Edge Financial Daily Today 2014

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ALL IN THE FAMILY... (From left) Insead professor of economics and political science, Wendel International Centre for Family Enterprise academic director Morten Bennedsen; publisher and group CEO of The Edge Media Group Ho Kay Tat; Wendel International Centre for Family Enterprise board member Priscilla de Moustier; Philip Koh, partner at Mah-Kamariyah & Philip Koh and Joseph Fan, professor at the school of accountancy and department of finance at the Chinese University of Hong Kong at the The Edge Media Group's talk entitled 'Family Business Succession: Mapping for the Future' yesterday.

KUALA LUMPUR: Succession for family businesses is more important than ever today although planning for smooth transitions can be fraught with challenges, according to speakers at the The Edge Media Group's talk titled "Family Business Succession: Mapping for the Future".

According to a study revealed at the talk, listed family businesses across Hong Kong, Taiwan and Singapore have lost up to half their value between the 1980s and 2000s due to poor succession planning.

"This is a cause for concern as family businesses are a key component of any economy," said Ho Kay Tat, publisher and group CEO of The Edge Media Group, in his opening address.

"There is a saying that wealth and businesses typically do not last past three generations, and in Malaysia we have seen cases of that.

"So what can and should family businesses do to map not just a successful future, but also a sustainable one? How can one structure the organisation when extended family members join the business into the second and third generations?"

The three speakers at the talk were Priscilla de Moustier, a ninth generation member of the Wendel family and board member of the International Family Business Network, Morten Bennedsen, professor of economics and political science at Wendel International Centre for Family Enterprise at Insead and

Joseph Fan, Professor of the School of Accountancy and Department of Finance of the Chinese University of Hong Kong.

In her presentation, de Moustier outlined some reasons why family businesses can last a long time. These include, among others, entrepreneurial spirit, family values and structure.

“We’ve (the Wendel family business) lasted through wars, revolutions, nationalisation and technical crises like global financial crises. All the executives that run our company are non-family members.

“We’ve created structures like having intimate meetings every year, where we ask unpleasant questions. If there is a problem, we can react in time. We also have an Entrepreneur’s Club, where our members take turns to share success stories during breakfast meetings,” she said.

“The ability to transfer the business from one generation to the next is a huge challenge, so much so that it can affect the bottom line of the business,” Bennedsen said.

In planning a succession strategy, Bennedsen said families should ask themselves key questions about their niche contributions, challenges that they will encounter or financial issues like inheritance taxes.

He cited five main challenges, comprising succession culture, transfer of family assets, ownership and management design, grooming succession and succession planning.

Fan, in his presentation, provided examples of lessons learnt from Asian families.

“Every family needs to come up with a way to discuss issues and have a decision mechanism in place. Everyone has to respect the mechanism. If you do not practise this, the separation of these families will be the end.”

Following the sessions, a panel discussion on family business governance was held, and questions were opened up to the floor. A concern among attendees included conflict management between family members, and how should the business balance profit versus the feelings of family members.

“This is basically a balance between psychology and rationality, so they would have to maintain communication, transparency and dialogue,” said Bennedsen. “You should think about structured solutions before the conflict actually takes place.”

De Moustier too stressed on conflict preparation, but said that a listed company should prioritise its shareholders over the family members. “The concept of being a responsible shareholder is that your business comes first, you have to prioritise your employees as well.”

The event, held at Carcosa Seri Negara yesterday, saw about 50 attendees who were members of The Edge Billion Ringgit Club and selected guests. It was supported by the Wendel International Centre for Family Enterprise, The Chinese University of Hong Kong and law firm Mah-Kamariyah & Philip Koh.

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