The Singapore Management University (SMU), much like its global peers, recognised over recent years the importance of family businesses for the future of Asian economies. Together with a few dozen Asian families, the faculty established the Business Families Institute (BFI), a unit dedicated to research and educational programs for entrepreneurs and family businesses in Singapore and beyond.

The Singaporean Way
Interview with Prof. Annie Koh and Esther Kong

What makes you passionate about family businesses?
A: I have a soft spot for family-owned businesses because my mother was from a family business background in Malaysia. Her family business story was not glamorous. When I was around six or seven, my grandfather passed away without making a will. He owned plantations, estates, and cinemas among many other things. He also had three official wives. About five years ago, I was invited on the boards of two family firms as an advisor. What I have noticed is that for family-owned businesses, the business and the family circles are interconnected yet at times independent of each other. A conversation about the business with a family member versus a professional is totally different. It intrigued me a great deal; I realised that many of our family businesses do need to invest in deeper learning, in order to understand family business operations, family dynamics and family governance.

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Prof. Annie Koh - BFI at SMU

After his passing, the estate had to be monetised and the lawyers had a field day. When it was equally divided, it marked the end of the family estate.

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Tharawat Magazine sat down with BFI’s Academic Director, Prof. Annie Koh and Deputy Director, Esther Kong, to discuss the motivation behind their work and their vision for the Institute and the future of Asian family businesses.

BFI@SMU
The Singaporean Way

Interview with Prof. Annie Koh and Esther Kong
About three years ago, I was given support from SMU President to set up the Business Families Institute (BFI) because close to 80% percent of Singapore's leading companies are actually family-owned. BFI has a group of family business owners who joined us as either founding or alliance family members. Deloitte was our very first research partner willing to support our research initiatives.

I have always found it intriguing how many family businesses with humble entrepreneurial beginnings evolved into the successful enterprises they are today. I wanted to learn about the motivation of these founder-owners in family businesses. One of BFI's ethos is 'Think Giving' and as my background was in fund-raising for the social service sector, it was an exciting prospect for me to understand the giving mind-sets of family businesses. After I joined the Institute, I felt that I needed to hone my knowledge in the family business field particularly in the areas of business family-specific issues such as family dynamics, ownership, business succession and governance. Hence, I took up a course in family business advising with the Family Firm Institute to acquire a more in-depth understanding and appreciation in building sustainable family enterprises.

When you finally got started with the BFI, what were the first research interests that you pursued and what findings have been the most revealing up until now?

A: The first piece of research that we did was succession planning and the development of the successors. It is a topic that is still relevant and affects many Asian families today. It was revealed that about 89% of our family firms would be looking at the succession phenomenon in the next five years. However, most of them have not started planning yet.

We felt that this is an urgent matter and we needed time to write strong Asian family business cases, so that we could share good practices. Though there is a plethora of written literature about older families in the West, their examples may not apply that well in Asia because many of our Asian families are younger. The majority of them are just into their first or second generation.

Our second piece of research is about family and corporate governance. We saw that professionalising the family, and not just professionalising the business, is a needed first step that will help family members make succession decisions more easily.

What are opportunities and challenges for Asian family businesses?

A: In terms of the family circle, Asian family businesses are looking at addressing family-related issues such as family dynamics, inter-generational conflicts, as well as maintaining and transmitting family values. Asian families are complex in the sense that there are many branches to the family. When there are multiple branches, families worry about how to preserve the harmony. One of the priorities now is for families to reduce the likelihood of conflict. If there is a conflict, however, they need a proper process to deal with it.

Another challenge is business related such as the need to continuously innovate, compete, and develop a talent pipeline. Finally, in terms of ownership, they are looking at how family firms could retain the ownership and control of the business within the family, even if the family members are not keen to work in the business.

Of course, the global economic slow-down gets many family firms asking the question of how to grow in the coming decades. They specifically need to discern how they can preserve and grow the business well so that they can successfully transfer the entrepreneurial spirit, as well as handle the wealth transition smoothly to the next generation.

Ultimately, we challenge the family firms to think generations, think growth, think giving and think global.

What kind of activities are you organising at BFI?

E: BFI, together with business family members, faculty, practitioners, and professionals, we organise educational and engagement programmes, master classes, and bespoke workshops for business families as well as business advisors. First we have a legacy lesson. We coined it as legacy lessons because it is by families for families. It is a closed door session in which we invite patriarchs and family leaders to share their own entrepreneurial and family journeys, about their successes and learning points.

Secondly, we conduct a knowledge series where we engage service providers who come in, as knowledge partners, to share their expertise on topics relating to various areas of family businesses such as family office, wealth and investment, philanthropy, and more. We try to find suitable partners who are like-minded organizations sharing the same passion as BFI. During series, we also form a panel and invite family leaders and founders to speak about how they started, how they grow the business, as well as how they dealt with their non-family talent. It is really critical for us that the next generation will be looking at the succession phenomenon in the next five years. However, most of them have not started planning yet.

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Prof. Annie Koh - BFI at SMU

PICTURE: Prof. Annie Koh, Academic Director, BFI, courtesy of BFI

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generation hear this first hand - especially those whose parents were on the panel. They realised “Oh, this is actually what their father or mother wanted them to do.” We also run master classes programs on specific skill sets. Some of our families may be considering moving an operational business to a financial business. The business advisors attending our educational programmes gain a better understanding of family businesses, so that they will be able to appreciate their comparative advantages, challenges and constraints when offering their valuable advice. Finally, we also organise learning journeys where we visit family businesses and attend family business forums organised by our academic partners in other countries, for the purpose of peer-learning.

Do a lot of young people want to take on their family’s business?

A: In North Asia, some of the young people made a fortune overnight and hence they may not be able to relate to their family’s legacy. On the other hand, South East Asian families are proud of their long history and aspire to continue the legacy of their founding fathers. In fact, in the same study that I mentioned earlier, young people actually feel that positivity is connected with the family business. There is a sense of responsibility and they want to take up the torch. However, they also realise that what worked very well as a business in the past may not be competitive going forward. The younger generations are willing to look at disruptions, explore joint partnerships, and expand overseas in order to transform the traditional business towards sustainability. Meanwhile many of the older generation are also quite comfortable with the idea of seeding a new business for their children if they express keen interest to venture into a different industry. After all, entrepreneurship is also a form of legacy.

Being a part of the BFI family fosters a healthy exchange of ideas among young individuals. We initially thought that they would not be comfortable being in the same room with their competitors. But remarkably they saw it as an opportunity to learn, grow and work together to start new businesses. It is then BFI’s mission to build long-term and sustainable family fronts. We trust that they continue seeing BFI’s long-term value for their family members, their children and also for their businesses. Our founding and affiliated family members comprised of close to 30 family businesses. Our membership base consists of Singaporean firms, South East Asian firms with a presence in Singapore, and family firms based outside of Asia specifically Europe, the US and the Middle East who have an interest in Singapore. Diversity is very important to us. We want to retain the diversity because that’s what makes the conversations magical and research is not confined to just one but many cultures.

What do you think of the direction that the research field, of family business, is taking?

E: Family business education in Asia is gaining traction as families are recognising the need to complement the hard skills with the softer aspects, such as family dynamics, succession transgenerational entrepreneurship, wealth investment and management, wealth transition, family governance Family governance will also have a very big role to play in order for the family business to transition successfully to the next generation. From the education point of view, we can definitely do more to help families build their resilience and knowledge in areas that we do not discuss much in the past such as succession.

The other big area where we would very much like to do a lot more is capability development for non-family executives. This means offering programs to educate professionals who are interested in working for, or advising, family businesses. They would do well if they could understand the dynamics of family businesses better.

A: I think that, in the last few years, there has been a very strong interest in family businesses, academic and practice, which has mostly been triggered by the various economic crises. I think the public have begun to realise that family firms are doing well and could have a positive economic impact in the long term. This is the plus side to many of the learnings from family firms. On the other hand, the world is changing very fast. Therefore, there is room for better and newer examples and family business education has to keep pace. It is important to collaborate across different cultures, countries and to write up great case studies. I have also not seen many family firms doing their own research yet. I think that is an area that we have to strengthen and should be encouraged.