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David M. Marsh

How Family Businesses Succeed in the Modern Business World

Family businesses not only face the challenges that the business world throws at them, they have to contend with managing the emotional streak that is attached to every business decision.

Clinton Ang of Cornerstone believes that a family business leader must be exemplary.



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By Alvin Wong

FAMILY businesses play an important role in the economy. As engines of economic growth and a major source of employment, family businesses need to grow and prosper. A Credit Suisse research report in September 2011, noted that family businesses make up half of the listed companies and a third of total market capitalisation among 10 Asian economies. In Singapore, family businesses account for 63 per cent of Singapore-listed companies and more than half of the market capitalisation as of 2010.

It is often said that few family businesses last longer than three generations. Numerous research and surveys have found this to be alarmingly true. In general, family and business tend to not mix well when the business has grown to and built a substantial level of success and wealth. There are fights over money. There are disagreements over strategy and business decisions. There are sibling rivalries and scheming relatives.

The style of leadership and management in a family business is not the

same as that of a non-family related business. In a family business, there is always an emotional component to contend with. Despite the challenges, some family businesses last through the generations.

Established in 1938, Hock Tong Bee Pte Ltd is a family-owned and independent business which has evolved through three generations. Its founder started the company as a trader and wholesaler of provisions. The second generation transformed the business into wine merchandising. With managing director Clinton Ang at the helm, the third generation family business has a brand presence in 24 countries under the name Cornerstone Wines.

Ang had witnessed, from his father's time, the challenges typically faced by family businesses. He realised that the approach to managing a family business varies depending on where one is within the generational cycle. As the common saying goes: The first generation starts the business, the second generation grows the business, and the third generation spends the wealth.

"When family members join the founders, their sole job is to build the business from nothing and survive. Everyone works for a common cause and there is nothing to take advantage of," says Ang. "My father's time was the second generation. It was the most difficult because my relatives decided that they had done their time, and everyone is secure in their positions, so they started to enjoy a little too much."

While it is good to enjoy some of the gains of a successful business, one needs to adopt a balanced attitude. Family businesses tread on a destructive path when they start to focus on extracting vast material gains for personal enjoyment and forgo the common goal to improve the business and its structures, processes, and procedures.

Known to be an independent and decisive person, Ang was tasked by his father to be the maverick and streamline the family business. It was an unenviable job because it required the pragmatic businessman to face both his emotions and his practical beliefs at the same time.

Prior to the task, Ang did considerable research on family business issues. Having spent time in the United States, he looked at numerous historical family business examples from the Italians to the Israelis. Armed with the knowledge of the issues and the dos and don'ts of family business, he was determined to implement changes.

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His rational approach and belief that his actions are grounded in the company's best interest fuelled his determination to transform Hock Tong Bee. "My philosophy to my relatives and my father was to ask if they prefer to see the company grow and have a yearly dividend, or to take advantage now and wait for it to collapse, which you can only do once," he says.

Dealing with emotions within a family business is one of the toughest challenges faced by many as they try to bring objectivity and sensitivity to board meetings. Ang took a different approach from his father.

"My father was the nicest man. He wanted to have a smooth transition, to have the older generation be able to accept, groom, and cultivate the younger generation. But sometimes in life, when you try to make everybody happy, the one who is most affected and least happy is yourself," he says. "In retrospect, I wouldn't do the same today because he tried to manage all

the emotion and practicality at the same time, which is impossible."

Dealing with emotions within the family business requires one to be strong, firm, disciplined, and have very thick skin. This is because conflicts are inevitable. Ang conceded that his younger, headstrong self had offended and hurt many feelings. Balancing between respecting the elders and making sound business decisions was the juggernaut he had to contend with.

"A lot of people ask me if my relatives still speak to me. The truth is, a majority of them don't," he says. "I stepped on toes within the business, but at the end of the day, they understand that I do it for the best of the company. My philosophy when joining the business is not succumb to emotional pressure. When I have to make a decision, I do what is best for the company."

Ang believes that the key to implementing good corporate governance within the family business is by being an





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exemplary leader. One must walk the talk in displaying integrity, transparency, and accountability. From the managing director to the heads of departments, management adopts a top-down approach in showing exemplary conduct, so that the rest of the staff will follow the lead.

Being exemplary includes starting from a humble position. Armed with an MBA, Ang joined the business in sales with a first drawn salary of S\$1,200. He had declined his father's offer of a managerial position. He believes that for one to succeed in business, one has to first prove oneself in sales. Over time, people took notice of his passion and commitment, and how he added value to the company.

This principle stems from the belief that one must have the fighting spirit or hunger to excel, to prove that one is worthy to do business. It is especially true in the context of Chinese families where there is often a system of privileges. Successful family businesses understand that rights to join the business are not automatic and privileges demand responsibilities. One has to first earn his rights as a professional, whether it is within the family business or elsewhere.

To date, the principle applies to any member of the Hock Tong Bee family wishing to join the business. Ang looks for four key attributes when looking for

the right people. "Hunger, honesty, ethics, and some level of IQ and EQ are most important to me," he says. "You can be the smartest person with relevant qualifications, but more often than not, you're too smart for yourself. I have this philosophy that it's better to be the best follower than to be the worst leader."

In terms of corporate succession, he believes that the best person takes on the job to run the business and it is not necessarily a family member. To ensure that there is constant renewal within the company, he identifies, cultivates, and grooms potential talents internally. Apart from its internal efforts, Hock Tong Bee works with tertiary institutions to offer internships and scholarships in the search for future successors.

The direction Ang has taken may have led the business into new heights and levels of dynamism, the family vision and heritage remains close to his heart. The move to rebrand Hock Tong Bee into Cornerstone Wines in 2001 was met with resistance but it was a strategy that aligned with the vision of the company's founding members.

This vision remains his inspiration when he expanded the company overseas and saw rebranding as essential to reach beyond neighbouring regions. He says: "Growing up, my grandmother and father

had this vision of synergising the region's best family-owned wine businesses and forming one big cooperative.

"I think the most important thing the family continues to keep is the heart. The fact that this company has been around for three generations, we have responsibilities to uphold the family name and continue to hold the family flag and business through our time."

Ang's advice for family businesses today is to learn how to re-engineer and sustain the business, to plan for scalability and succession, and to continue to innovate and embrace change. He feels that young entrepreneurs who wish to get into the family business must first understand the principle that the only constant in life is change. Second, they must be prepared to work 24-seven. Lastly, they must be true to themselves, be proactive, and take initiatives.

With more available research on topics like corporate succession and conflict management in the family, Singapore business families are blessed with resources to tackle the challenges facing them. There is more help and support available via organisations like the Family Business Network International, FBNI, and the Business Families Foundation, BFF, both making their presence known in Singapore. 