

# Understanding Families in Business

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# Business Family



# Family Business





**Wen Ken** 永健

- Founded in 1937 by my grandfather & 3 friends
- Extended multi-family business
- TCM, Western OTC & health supplement

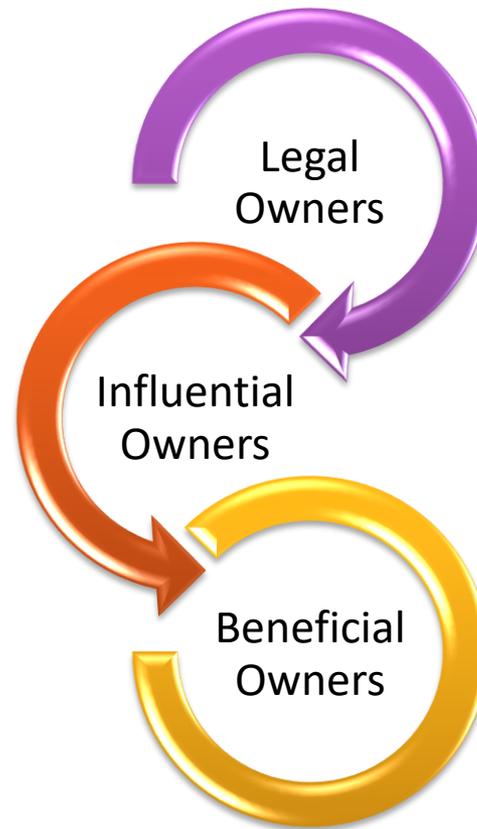


**Business  
Concept**

creating value thru' people and ideas

- Founded by me in 1990
- Immediate family business
- Private equity, property & business family advisory

# Meaning of Ownership

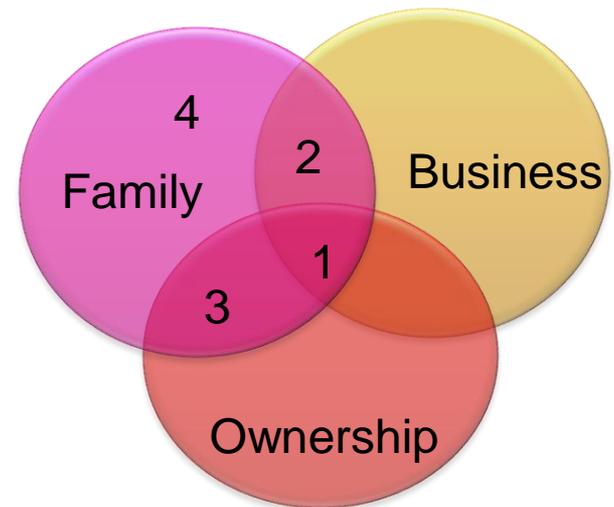


# Business Family 9-Box Matrix

	Family	Business	Wealth	
Structure				
Successors				
Governance				

# Confession of a Business Family Member

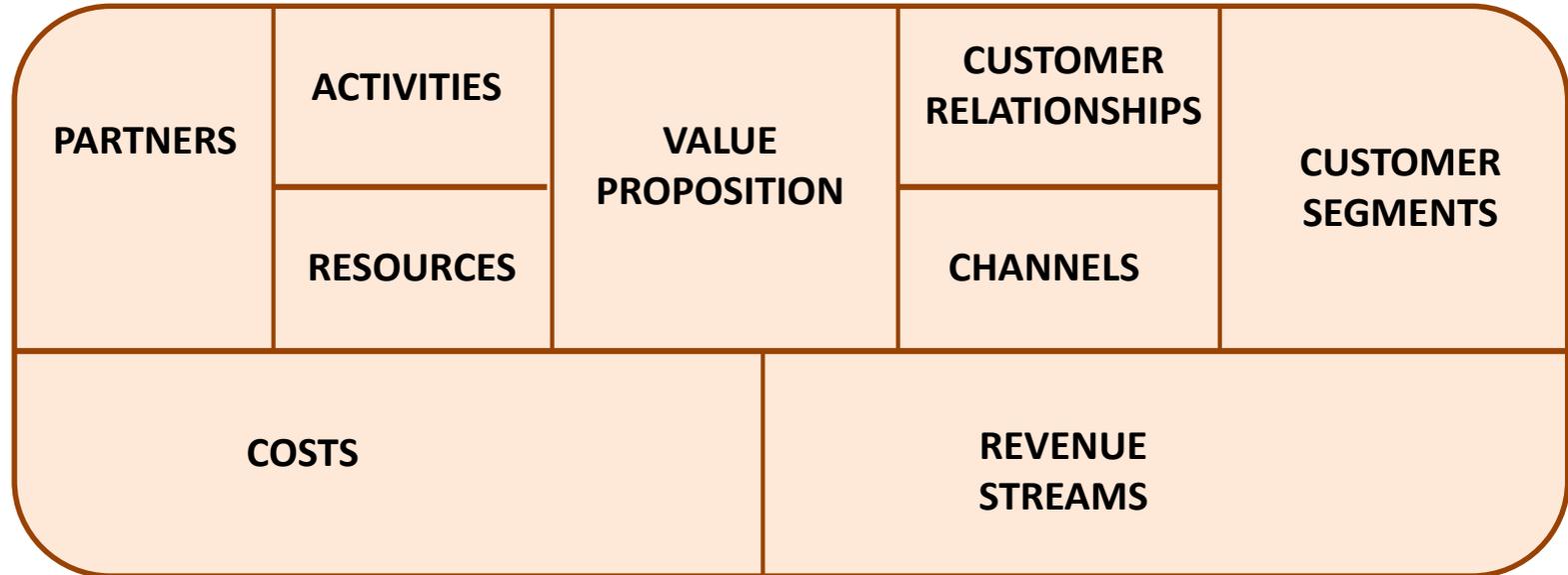
- Moving from territories 4-2-1-3
- As a family member
- Working in FB
- Working & owning shares in FB
- Stepping down from operations
- Stepping out of FB



## Confession of a Family Business Successor - Salient Points in Service Agreement

- Entity to employ
- Outside remuneration prior to joining family business
- Duties & powers
- Option to purchase shares in existing JV
- Option to invest in Newco
- Company car & other business expenses
- Annual leave & working hours
- Illness
- Termination events & notice period
- Retirement age & benefits
- Law applicable
- Signing of service agreement

A Business Model describes  
the rational of how an organisation  
**creates, delivers and captures value**



Why are many traditional family businesses slow  
in replacing outdated Business Model?

# INNOVATION IN FAMILY BUSINESS: Creating a viable new Configuration

Innovating requires identifying the problems that matter and moving through them systematically to deliver elegant solutions.

## CONFIGURATAION

- Profit Model
- Network
- Structure
- Process

## OFFERING

- Product
- Performance
- Product System

## EXPERIENCE

- Service
- Channel
- Brand
- Customer Engagement

# Wallenberg Family & AB Volvo

- The Wallenberg family is a prominent Swedish family renowned as bankers, industrialists, politicians, bureaucrats and diplomats. The Wallenbergs are present in Swedish industrial groups, like Ericsson, Electrolux, ABB, SAS Group, SKF and more.
- The basis for the Wallenberg family's activities is to be an active long term owner in Swedish companies that are growing their operations in the international market.
- FAM AB, founded by Wallenberg foundations, has been substantial owner of SKF.
- AB Volvo was a subsidiary of SKF (a leading bearing manufacturer) until 1935 when SKF divested its shares in AB Volvo through issuing supplementary dividend to shareholders.



# AB Volvo

- Began activities in 1927, AB Volvo was founded by sales manager Assar Gabrielsson and engineer Gustav Larson, a combination of business skills and technical innovation.
- Communication between the office and the warehouse on the storey below began with stamping on the floor. The method was later refined with the help of a broomstick which was banged on the floor using pre-arranged codes.
- In 1935, AB Volvo was listed and acquired its engine supplier.
- During World War II (1939-1945), Volvo switched production to wartime material.



# AB Volvo

- AB Volvo expanded quickly through acquisition strategy. In 1941, it acquired a precision engineering producer of aircraft engines, in 1942 a gearbox supplier, and in 1950 a tractor and machines manufacturer, and its product range had changed with the times.
- AB Volvo started exporting cars to the USA in 1955.
- In 1956, co-founder Assar Gabrielsson handed over the managing-directorship to 48-year-old Gunnar Engellau.
- Between 1956 and 1978, Engellau grew Volvo's annual production of cars from 31,000 to 260,300 and sold the cars around the world.



# AB Volvo

- In 1959, AB Volvo invented the standard-fit three-point safety belt.
- Since in the early 70s, AB Volvo had already established 'Environmental Care' as one of its core values. AB Volvo founded the Volvo Environment Prize in 1988, when sustainability was still not treated as a priority for most companies.
- In 1981, the merger of AB Volvo and Beijerinvest (a family-owned holding company of trading and industrial companies) must be a desire for Volvo to spread its dependence away from the car making side. (Automotive News, Crain Automotive, 1981, page 249).
- The merger was restructured as Investment AB Volvo Beijer.



# AB Volvo

- HQ in Sweden, AB Volvo employs around 90,000 employees, It has production facilities in 20 countries and sells its products in more than 190 markets.
- AB Volvo's operations include Trucks of all sizes (light, midsize to heavy-duty), commercial vehicles, buses & bus chassis, construction equipment, engines for leisure boats and commercial shipping, diesel and drive systems for industrial applications, and financial services and real estate administration.



# Volvo Cars

- In 1999, AB Volvo sold its car division (Volvo Cars) to Ford Motor's Premier Automotive Group, along with Jaguar, Aston Martin and Land Rover.
- Ford decided to restructure its plans for Volvo Cars, pushing it upmarket, alongside the lower end of Mercedes and BMW sedans, wagons and SUV crossovers.
- In 2010, Volvo Cars was acquired by China's Geely Holding. Volvo cars are sold in more than 100 countries. The company had around 40,000 employees all over the world in 2018.
- Volvo Cars' HQ, design, marketing and administration departments are based in Sweden, with production plants and centers for research and product development in Sweden, the USA, Europe, and Asia, including four manufacturing plants in China.

# Volvo Brands

- Volvo brand is one of the world's most well-known brand names in commercial vehicles. The core values of Volvo are: Quality, Safety and Environmental Care.
- AB Volvo operates under many leading brand names - Volvo Penta, UD Trucks & Buses, Terex Trucks, Renault Trucks, Prevost, Nova Bus, Mack Trucks & Arquus; and Joint Ventures & Strategic Alliance - SDLG (Shandong Lingong Construction Machinery Co), Sunwin Bus, Dongfeng Trucks & Eicher.
- Each brand in its portfolio focuses on different industries and segments.
- Volvo Trademark Holding is owned by AB Volvo and Volvo Cars. The main activity of the company is to own, maintain, protect and preserve the Volvo trademarks on behalf of its owners and to license these rights to its owners.

# Case Discussion

- What could be the reasons for SKF to divest its shares in AB Volvo ?
- What do you think of AB Volvo's sustainability in today's economy ?
- What are your views on AB Volvo's changing business models ?
- Which dominant innovations did AB Volvo focus on ?
- Why AB Volvo decided to sell Volvo Cars to Ford Motor in 1999 ?
- Why Ford Motor offered Volvo Cars for sale in 2008 ?
- Why Zhejiang Geely Holding Group was the preferred buyer of Volvo Cars ?
- What are your views on Volvo's branding strategy ?

# Ng Teng Fong

1928 – 2010, Putian, Fujian, China

- Education : Little formal education
- Spouse: Tan Kim Choo
- Business- Real Estates, Hospitality, Retail, F&B
- Children: 2 sons & 3 daughters

Robert - Sino Group

Philip - Far East Organization (Far East Orchard & Yeo Hiap Seng Ltd)

- Charities: Ng Teng Fong Hospital

# Ng Teng Fong

## Discussion:

- What do you think of the prospect of Ng's businesses?
- What do you think of his business structure and succession plan?

# ABC Ltd

- Founded in 1930s in Singapore by 4 friends.
- Manufacturing & marketing of traditional Ready-To-Drink (RTD) beverages in Singapore & Malaysia.
- Started a JV-Licensing (JVL) in Indonesia in 1970s with a family related to one founding family.
- In 2000s, more than 30 shareholders from 2G & 3G.
- Shareholder tree pruning in 2000s, one founding family bought shares from some shareholders from other 3 families.
- G2 leader of the buying family didn't want to cross over 50% shareholding.
- After G2 leader passed away, his children bought more shares to cross over 50% shareholding.
- In 2010s, licensing with JVL was changed to a new licensee.

# ABC Ltd

## Discussion:

- What do you think of the prospect in manufacturing & marketing of traditional RTD beverages?
- Why G2 leader of the buying family didn't want to cross over 50% shareholding?
- What do you think of changing JVL to a new licensee after 40 years of partnership?
- What could be the reasons causing the change of licensee?

# The Five Insights

- We Respect the Challenge
- Family Business Issues are Common and Predictable, yet Perspectives on the Same Issues will be Different:  
3-circle model – Family, Ownership & Business
- Communication is Indispensable
- Planning is Essential to Continuity:  
Business strategy  
Leadership & ownership succession  
Estate & personal financial  
Family Continuity
- Commitment is Required of Us

Reference: John L. Ward, *Perpetuating the Family Business*, Palgrave Macmillan, 2004, page 10 - 22

# The Four P's

- **Policies** Before the Need – issues are given attention before they become personal & emotional
- Sense of **Purpose** - to feel an over-arching purpose that makes continuing the family business worth the strife
- **Process** – they have worked on a policy together as a family, come to a consensus & articulated on it
- **Parenting** - on communication, attitudes towards wealth, preparing for entry into the business or choosing a different career, educating children for responsible ownership, etc.

Reference: John L. Ward, *Perpetuating the Family Business*, Palgrave Macmillan, 2004, page 22 – 28