

Understanding Dynamics in Family Businesses

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Slides : www.bc.com.sg Activities

Learning Objectives

- Case Studies of Successful Family Businesses
- How families Overcomes the Challenges

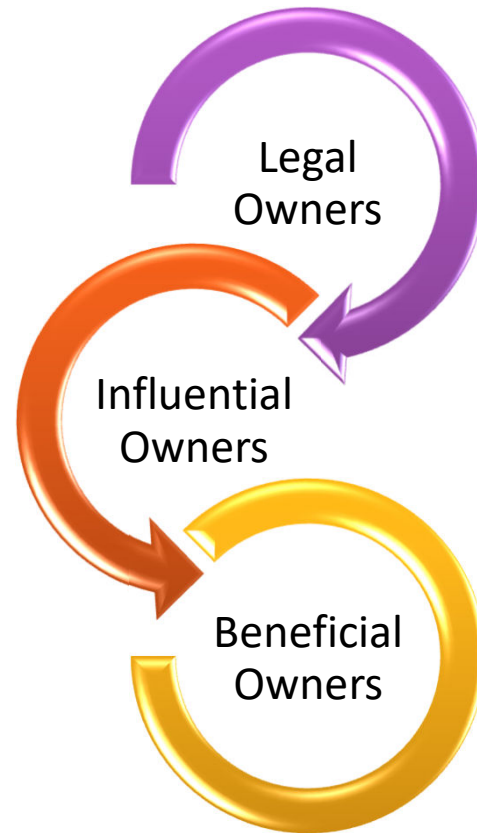


Business Family



Family Business

Meaning of Ownership



Li Ka-shing

29 July 1928 , Chaozhou, Guangdong, China

- Education: High School Dropout
- Spouse: Chong Yuet Ming (m. 1963; d. 1990)
- Business:
 - Plastic Manufacturing (plastic flowers)
 - Real Estate -Cheung Kong (Holdings) Limited
 - Retail - A.S. Watson Group
 - Asset Trading- CK Hutchison
 - Internet & Technology - Horizons Ventures
- Children:
 - Victor works directly with his father
 - Richard is the head of PCCW
- Charities: Education, Medical & Natural Disasters

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

Yeo Hiap Seng Ltd (YHS)

- Founder started making soya sauce in Fujian, China in 1901. He came to Singapore in 1930s, and set up YHS in 1935
- Founder passed away in 1960. The power handover from 1st to 2nd Gen was successful. 2G leader established his authority and prestige within the family and laid a foundation for YHS to take great strides.
- YHS went public in 1969 & became too large to be run as a family business. YHS made its first loss in 1991 because of its U.S. subsidiary.
- Power Transfer at 3rd Generation, the family fell apart due to internal family conflicts in management & investment decisions.
- The court ruled to split the family holding company. When members of the Yeo family were engaged in heated disputes, Ng Teng Fong took control of YHS in 1995.
- Family-oriented Management: Reasons for Both Success & Failure

Kongō Gumi Co., Ltd

- A Japanese family business in designing, building, restoring and repairing of temples, shrines and cultural heritage buildings. It was formed in 578 AD and lasted 1428 years (40 generations) until it was absorbed by Takamatsu Construction Group in 2006.

Lessons and Legacies:

- Emphasis on maintaining a balance between family and business
- Supporting long-term job security for employees.
- Importance of providing a role for the senior generation in retirement
- Recognising the necessity of reinventing the family business.
- Why Kongo Gumi couldn't survive?
 - a. Accumulated debts during Japan's lost decade & putting its assets all in one country - Japan.
 - b. Limited options in raising capital

Bata Shoes

- Founded in 1894 in Czech Republic, by Tomas Bata, his brother Antonin and sister Anna, whose family had been cobblers for generations.
- After Antonin's death in 1908, Tomas brought two of his younger brothers, Jan and Bohus, into the business.

Lessons and Legacies:

- In the global economic slump after World War I, Tomas responded to the crisis by cutting the price of Bata shoes in half; workers agreed to 40% wages cut; in turn, Bata provided food, clothing & other necessities at half price. Tomas also introduced profit-sharing initiatives.
- In 1932, at the age of 56, Tomas died in a plane crash. Control of Bata was passed to his half-brother, Jan and his son, Thomas J Bata.
- Guided by Tomas' moral testament: Bata was to be treated as a public trust (private wealth), in improving living standards within the community and providing customers with good value for their money.
- After World War II, Czechoslovak authorities tried Bata as a traitor and its assets were seized by the state.

Bata Shoes

- In 1945, Bata set its service HQs in England and expanded into new markets throughout Asia, the Middle East, Africa and Latin America.
- Bata established a confederation of autonomous units that could be more responsive to new markets in developing countries.
- After the global economic changes in the 90s, Bata closed several factories in developed countries and focused on expanding retail business.
- In 2004, the Bata HQs were moved to Lausanne, Switzerland, and leadership was transferred to Thomas G. Bata, grandson of Tomas Bata. Current Chairman Christopher Kirk and CEO Alexis Nasard are non family members.
- Bata operates more than 5,000 retail stores in over 90 countries, and manages 27 production facilities
- Why Bata thrives?
 - a. Having good family successors
 - b. Engaging non-family members as key people
 - c. Made changes to its business models and grew its business globally.
 - d. Guided by good moral testament and family values

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
- Commitment is Required of Us

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.

Banyan Tree



A Banyan tree grows by spreading out its crown and, when it is sufficiently established, lowers down little experimental roots to touch and explore the ground beneath. Once these roots find fertile soil, they dig deeper, and transform into new trunks, while the rest of the tree continues to grow and explore, seeking newer niches in which to establish itself. So the tree is able to support itself even if one or two trunks fail. In effect, no trunk gets left out, for all is part of the tree, but the tree will never die for being without any one of its trunks, for it still sustains, and is sustained, by many more...

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