

Understanding Families in Business

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Business Family



Family Business



Extended Family



Immediate Family



Wen Ken 永健

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

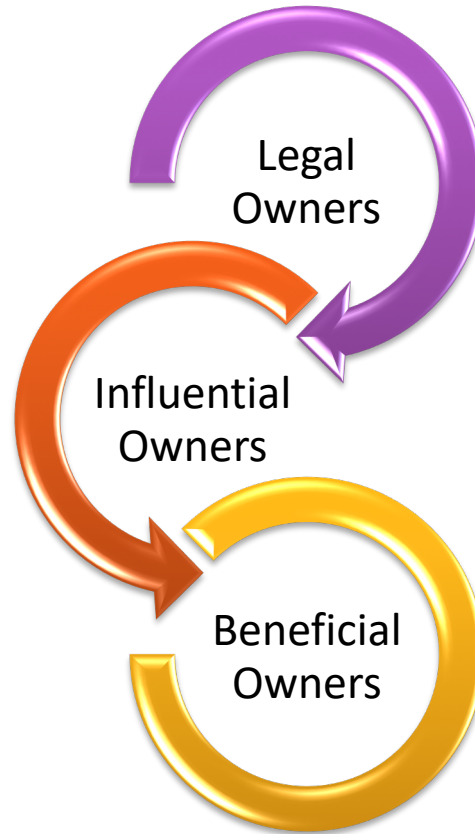


**Business
Concept**

creating value thru' people and ideas

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

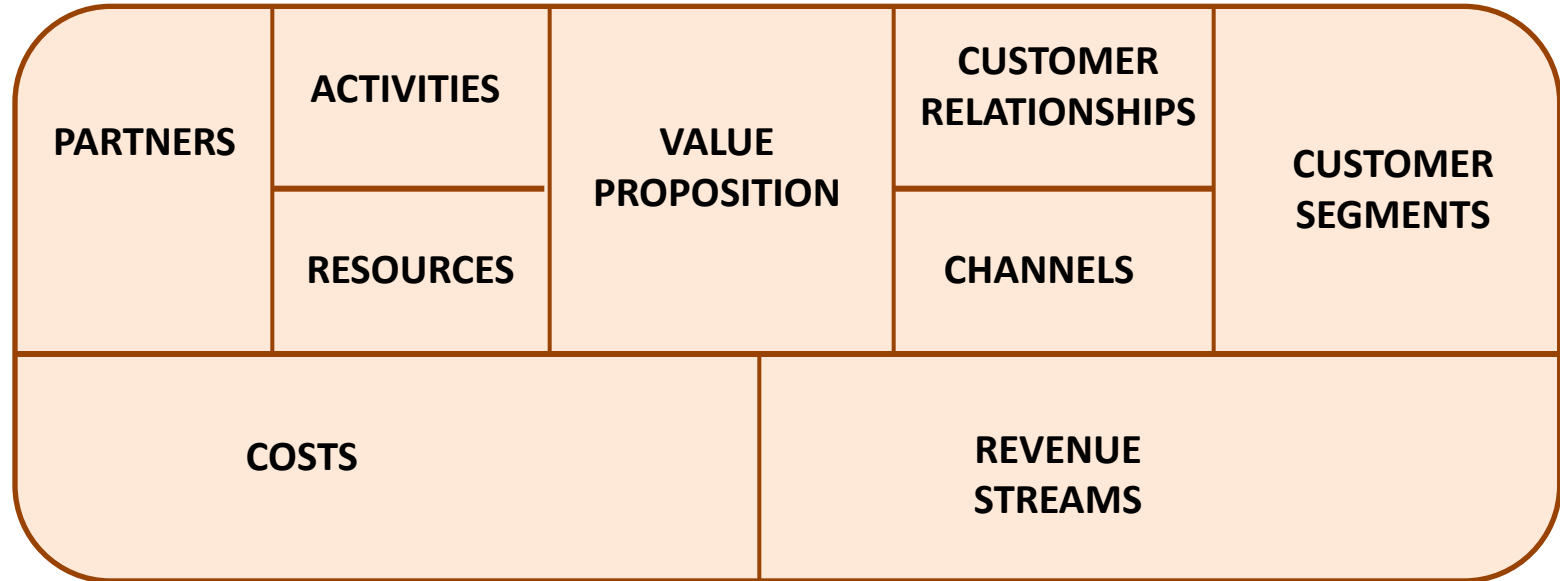
Meaning of Ownership



Business Family 9-Box Matrix

	Family	Business	Wealth	
Structure				
Successors				
Governance				

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



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in replacing outdated Business Model?

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

Li Ka-Shing

Discussion:

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

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?
- What factors to consider in shareholder tree pruning?
- 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?

Shareholder Tree Pruning Issues



- Purpose
- People
- Valuation
- Prospects
- Reserves
- Dividends
- Cash
- Bank Facilities
- Timing
- Retirement
- Subsequent Events
- Family Culture
- Business History
- Communication
- Documentation
- Knowledge

XYZ Ltd

- Emily started businesses in Malaysia 20 over years ago when she was in her 30s. She has 2 sons.
- Her businesses include budget hotel, restaurant & café (wholly owned by her), marketing & distribution companies of FMCG (JV with friends), etc.
- All businesses are separately held under her name.
- Emily's eldest son (recently married the only child from a business family in China) has been involved in the family businesses for several years, but he doesn't seem to know what Emily really has in businesses and wealth.
- Emily's second son lives in Europe and is not involved in the family businesses.

XYZ Ltd

Discussion:

- What do you think of the prospect of Emily's businesses?
- What would you suggest Emily to do on the structure of her businesses?
- What would you suggest Emily to consider when working on succession plan for her businesses and wealth?

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.

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

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...