

iFast TV : Management of Business Family Wealth, Alternative Investments and Succession

Venue: iFastTV studio, Singapore

Date : 19 September 2023

1. Appearance:

a) Cheong Wing Kiat, Founder & Business Family Strategist, Business Concept Pte Ltd, an investment holding and advisory company.

b) Sim Peck Cheng, Senior Financial Services Consultant from Orizal Pte Ltd

Scope of Coverage:

2. Introduction of Interviewee

Wing Kiat holds degrees in BAcc and MSc (International Marketing). His expertise spans Auditing, Accounting, Treasury, Business Development, Marketing, PE/VC Investing, and Managing Direct and Extended Family Businesses.

In 1990, he established Business Concept, an investment holding company with a focus on industrial properties, start-ups, and unlisted companies.

From 1995 until 2011, he spearheaded the operations of Wen Ken Group, his extended family business specializing in traditional Chinese medicine, and retired from the company in 2019. Wen Ken Group was founded by his grandfather together with his three friends in 1937.

He is married and has two sons and one daughter.

3. Can you share with us your experience in managing business family?

Issues within business families are both common and predictable, yet perspectives on these issues can vary significantly.

The fundamental causes often include the patriarch and matriarch believing they know best and therefore not seeking advice or help from independent professionals until problems severely impact the family.

Additionally, a lack of communication among family members contributes to these challenges.

4. What are some of the considerations that have to look out for managing a business family wealth and business ? Considering the dynamics of business family, relationship of business family with the individual managing the family wealth as well as the dynamics of business?

In a business family, three essential components come into play: family, wealth, and business. Each of these components carries its own set of considerations.

When looking at the family aspect, it is crucial to understand the family's structure, the ages and marital statuses of its members, their educational backgrounds, financial standings, work expertise, values, risk profiles, needs, wants, as well as the overall wealth psychology of the patriarch, matriarch, and their successors within the realms of family, wealth, and business.

Turning to the family wealth, considerations extend to encompass the overall value of the wealth, its underlying structure, and the diversification of risks across different asset classes and geographical regions, among other factors.

Shifting the focus to the family business, considerations encompass its business model and structure, the network and processes driving the business, key management personnel and business partners, balance sheets, profit and loss accounts, cash flow statements, market value of long-term assets, and intellectual properties.

5. Can you share with us your views on Alternative Investments and their effects on family wealth under management?

In my opinion, alternative investments play a crucial role in preserving, growing, and diversifying family wealth, while also holding the potential to enhance the value of the family business.

During my tenure of managing the extended family business, Wen Ken Group, I encountered challenges in attracting, recruiting and retaining skilled professionals to join our ranks. Consequently, I adopted corporate PE/VC strategies, directing investments towards startups and privately owned companies. This strategic move allowed me to persuade the entrepreneurs behind these ventures to take on roles as affiliate managers within the extended family business.

In addition to these ventures, I invested in industrial properties. This decision served a dual purpose: providing suitable spaces for our portfolio companies to carry out their office, manufacturing, and logistics operations, simultaneously eliminating their concerns about renovation costs and unreasonable rent hikes.

6. In terms of family, wealth and business succession, what are some of the considerations that the patriarch and matriarch have to take into consideration?

They should strongly consider enlisting the expertise of impartial professionals to assist them in formulating LPAs, Wills, Letters of Wishes, establishing family trusts and foundations when applicable, evaluating pertinent variables, determining appropriate successor(s) and their responsibilities across family, wealth, and business matters.

It's also crucial to transparently communicate decisions to impacted parties through both informal and formal meetings, sharing comprehensive insights and rationales behind their decisions.

7. When should planning for wealth and business succession start?

The timing varies based on whether the focus is on direct or extended family. There isn't a definitive "best" time, but generally, the earlier, the better.

Regarding direct family, I believe it's wise to start planning even before marriage and having children. A strong marriage and effective parenting form the bedrock of successful wealth and business succession.

For extended family wealth and business succession, it's my opinion that planning can commence once someone has taken on the role of successor for the extended family's wealth and business.

8. What are your views on successor? Who will be suitable for the role and how should the successor be groomed?

Typically, there are three types of successors required within a business family: one for overseeing the family itself, another for managing the family's wealth, and a third for handling the family business.

If we were to categorize them based on IQ, EQ, and Street-smart Quotient (SQ), a family successor would require a strong EQ, the wealth successor would need high IQ, and the business successor should possess a strong SQ.

Successors need to be groomed from a young age. In addition to acquiring a foundational education in their area of interest, they should aim to become T-shaped professionals. This means specializing deeply in one discipline while also possessing a fair understanding that enables them to connect with other disciplines.

Moreover, they should embody the attributes of OLIVE: Open-minded, Learned, Independent, Vigilant, and Empathetic.

Interview's takeaways:

1. Business family dynamics are more intricate than just the family business itself; they encompass the family and its wealth.
2. The significance of knowledge, wisdom, and education in understanding and effectively managing issues within business families.
3. To achieve success in generational transitions within a business family, an extensive network of independent professionals is crucial, extending beyond the company's current lawyers, accountants and bankers. The independent professionals provide tailored solutions to enrich the lives of family members with passion.