Biz schools help family firms manage better

Succession planning is one of the biggest challenges family businesses need guidance in.

By Teo Hoong Chen

THERE has been a proliferation of programmes aimed at helping family businesses improve their planning, management and communication. Capitalising on Singapore’s position as a regional education hub, many Asian family-run businesses are sending their staff to attend these courses.

A key player is Insead, which started its family enterprise challenge programme here seven years ago. According to Randel Carlock, Insead’s senior affiliate professor and programme director, entire families are embarking on the course to learn how to manage their businesses better.

Not to be outdone, the local universities have also made inroads into the market. The National University of Singapore (NUS) Business School offers executive programmes for family businesses, while NUS students pursuing a bachelor’s degree or an MBA can take family business electives.

NUS’s electives are useful for students thinking of joining their family firms, or those who are interested in understanding family firms better, said Marleen Diedeman, associate director of NUS Business School’s Centre for Governance, Institutions and Organisations.

In 2009, Singapore Management University (SMU) started a family business course for its undergraduates, with around 50 students enrolled each year. And next year, SMU’s newly launched Business Families Institute (BFI) will begin programmes for family business members and their advisers.

Just last week, Insead teamed up with PricewaterhouseCoopers (PwC) and Family Business Network Asia (FBN Asia) to launch a new course for next-generation family business leaders. PwC’s partners will mentor participants while Insead will provide classroom teaching.

The programmes have their respective unique selling points. Insead’s strength lies in its focus on practical application, while NUS Business School focuses on Asian family firms.

“Family firms,” Dr Diedeman emphasised, “have unique challenges that need to be addressed differently.”

As succession planning is one of the biggest challenges faced by family-run businesses, they need guidance on how to navigate management transitions.

Compounding the problem is the fact that most family-run businesses in Asia are first-generation firms that, unlike their Western counterparts, will be passing the reins to the next generation soon, noted Angelyn Sng of FBN Asia.

Notwithstanding their success, some Singaporean family firms “are not as aware as they should be in helping the next generation take over”, pointed out Dr Carlock.

Warning that a messy transition to the next generation could potentially derail a business, Dr Carlock cited a study of 250 family firms in Hong Kong, Taiwan and Singapore by Joseph Fan, a professor at the Chinese University of Hong Kong. This showed that the stock value of these firms fell around 60 per cent from the five years before a succession until three years after it.

Family businesses face unique challenges, noted Dr Carlock. “Families are about caring and businesses are about money – not a likely formula for a successful partnership.”

For instance, expectations of family members to be employed by the family firm may conflict with commercial considerations. Planning is therefore critical to family harmony and business success, said Dr Carlock.

Not surprisingly, inter-generational communication is a key component of the curriculum.

Said Charles Zhao Xumao, who graduated from NUS Business School last year: “It helps me to mitigate potential conflicts with my father – who usually thinks of my ideas as immature and inexperienced. I learnt how to deliver my messages in an effective and credible way.”