

Passing the torch to next generation

Succession planning goes beyond management change to picking someone passionate about growing the company



By Baharom Hamzah

FOR many entrepreneurs, leaving behind a legacy is hard to do after spending virtually a lifetime building a business from scratch. For such owners, one of the most important matters they need to sort out themselves is handing the reins of the business to a chosen successor.

In the Asian culture, it is a norm for entrepreneurs to pass on the

management of the business to their children, especially when key staff members, whose track records exceed expectations, assume control of the business.

However, this process is often not smooth and straightforward. In many instances, in monachies, this passing of the baton can be riddled with disputes and jealousy.

Succession planning, as it is widely known among the business community, is a practice where a company undergoes the process of not only identifying the successor, but also preparing the organization for its transition, manage the shift in management styles.

Not on the agenda

According to the recent PwC-Malaysia-Coopers (PwC) Family Business Survey 2010 (The Malaysian Chapter), 31% of the 48 family businesses surveyed have no succession plan in place. Only 15% have a robust, documented and communicated succession plan.

“Succession planning in any organization is challenging. No, so, in a family business, where succession planning should account for both the interest of the management, as well as the shareholders,” says PwC Malaysia Entrepreneurial and Private Clients lead and senior executive director Fung Mei Lin.

“Considering that 69% of family businesses surveyed already have more than one family member involved in the business, they cannot afford to be in the lack of a strategic plan limit them in their growth ambitions,” she adds.

From PwC’s research into the next generation of family business leaders,



Baharom and Adam make it a point to bring work matters home

competence (or the lack of it) is not the main concern of the business owners. It is finding the right fit that meets the current generation’s expectation.

“We know that the next generation today has more hopes and opportunities than their parents 10 years ago. So, even if a competent successor has been identified, he or she may not necessarily share the same ambitions as the family,” he says.

“We observed that many talented next generation family business leaders are becoming more innovative about the roles they take on. Increasingly, we see them wanting a job that matches their skills, and in which they can excel,” says Fung, adding some successors may feel the shoes they have to fill are too large.

It is not unusual for millennials, career-oriented individuals or even those looking to strike out on their own, to reject the notion of entering and build a career outside the family business.

Former Consulting Sdn Bhd managing director Nancy Forster explains that business owners are finding that their heirs are more inclined to work in the family business and have their own career goals.

“Pressuring one of the children to take a key role in the family business may cause family disharmony which no one wants,” she says.

In other scenarios where there is an interest to participate in the business, there may be family conflict in play on who should take over the position and



the company has no procedures in place to deal with family conflict.

From a business perspective, business owners in their 40s begin thinking about succession planning and focusing on making it happen in their 50s. Such a move usually coincides with their children going to university and their realisation they may not wish to join the company.

The PwC report says 38% of Malaysian family business respondents believe their family members are not interested in becoming involved in the family business.

Adam says the label *anak boss* (employer’s son) is one that rarely leaves the mindset of others. “Certain people will hold on to that assumption and create a line which divides us. However, I cannot control how they think,” he says.

“I do work well with the people around me. I stand out with them. It is important to maintain good rapport with others,” he adds.

Adam quit his studies to join the family business at the request of his father, the company’s

for training abroad. Though he

“Incorporating more and more family business professionals is important to the success of the business,” he says.

As the business grows, the introduction of corporate and family governance can help to draw the line between what is family and what is business.

Forster explains a family business

can benefit from the wisdom and experience of independent professional managers, thus allowing the family shareholders to focus on dealing with exceptional issues and developing clear strategic plans for future generations.

First-hand experience

BP Healthcare Group founder and chairman Datuk Beh Chun Chuan tells *Business Times* there is no business without family involvement. “I must be blind or an invalid leader for not being able to be a qualified successor!

“I believe there are always better and more people around me and this includes my four children, and many senior managers,” quips Beh.

Succession planning, in his books,

isn’t restricted to the concept of a successor but of “training the next team to take over the game”.

This team would ideally be the next generation of staff members which is in place while Beh is still actively involved in the business.

When it comes to choosing between family or staff members for roles in the organisation, Beh says what would choose the person who is better suited and passionate about a specific commitment while equipped with the right skills.

“This is important so that the selling business will never arise. We are only interested in succession unless there is a buyer offering us a crazy price which we are too stupid to sell,” he says.

For Romstar Group CEO Baharom Hamzah, his approach towards succession planning is one which began from the day he started the business.

Anak boss works his way up

“My son (Romstar general manager Adam Fazil Jaffar) has been with me for many days when he graduated out of a field technician,” he recalls.

Baharom believes it is important to groom the successor to know more than just the technical aspects of the business. “I am 59 years old and it is crucial to groom my successor within the next five years,” he says.

“My success needs to have the right kind of leadership. It is important to ensure the company’s strategy is not compromised by the next appointment,” he says.

Adam says the label *anak boss* (employer’s son) is one that rarely leaves the mindset of others. “Certain people will hold on to that assumption and create a line which divides us. However, I cannot control how they think,” he says.

“I do work well with the people around me. I stand out with them. It is important to maintain good rapport with others,” he adds.

Adam quit his studies to join the family business at the request of his father, the company’s

for training abroad. Though he

“Incorporating more and more family business professionals is important to the success of the business,” he says.

As the business grows, the introduction of corporate and family governance can help to draw the line between what is family and what is business.

Forster explains a family business

can benefit from the wisdom and experience of independent professional managers, thus allowing the family shareholders to focus on dealing with exceptional issues and developing clear strategic plans for future generations.

“I must be blind or an invalid leader for not being able to be a qualified successor!

“I believe there are always better and more people around me and this includes my four children, and many senior managers,” quips Beh.

Succession planning, in his books,



Bah says he looks for a person who is personable, suited and passionate about a specific business unit while having the right skills

Sdn Bhd deputy managing director June Choo understands the importance of succession planning as her family business was passed to her and her brother 15 years ago.

“At that point when I joined the company, I knew I had to think about the next person when ever he who will be heading the business,” he says.

His approach was to introduce her children to the business from a very young age in a fun manner. Whenever she travelled for work, he it for them to come along and learn from him. He would bring her children along and expose them to different scenarios.

The idea was not so much to get them interested in the business but to familiarise them with the business environment and people involved.

Though there is no successor in line at the moment, Choo says her son Sebastian Ong is working with the company in a management role.

“We asked for management work-related conflict with his father, Adam says issues and disagreements are usually resolved through discussion and would rarely make their way home,” he says.

Touching on the topic of ownership, Baharom says he will still continue to be the main shareholder even after his son takes over. “My strategy is one to let him continue monitoring his success’s progress for six months to a year. If he or she is not performing, I have to take back control and run it myself,” he explains.

Young Yang Hoo Pharma TYT

MAHABIR NAJAM (SM) FOUNDER

“I thought his ideas were great to us, we have to let him try as my grandfather Choo Boon Hock did. My grandfather Choo Boon Teong gave me and my brother an opportunity to grow in our own ways, I must do the same for him,” she explains.

That said, Choo is no stranger to the company which was the traditional Chinese medicine trade.

Some of the changes she made are introducing IT systems to supply chain, change the logo and branding and streamlining its distribution model.

“When I first started, our previous logo was not ‘TYT’ but one which bore the face of my grandfather. I knew we needed to change it to something which consumers could relate to,” he says.

“I sought my grandfather’s permission to change the logo and he consented as he is open to change,” she recalls.

“My grandfather and others who are in similar position to always seek permission from the previous generation and inform them of any changes to the family business. This is done to maintain family and as a sign of respect to the elders,” he says.

Moving forward, Choo hopes her successor would be able to grow the TYT brand abroad and enter new markets.

“It is important for us to maintain their success and their success may not have enough experience yet to run a business. However, they must be willing to draw a clear line of what expectations they have for the company while guiding them towards leading the company eventually,” he says.

The right steps in succession planning



Emotional attachment should not be the only factor when identifying a successor to the family business

with job assignments and development opportunities.

Step 4: Contingency planning

If steps 2 and 3 do not produce a result, you need to look externally and pick someone who can be your potential replacement.

Step 5: Evaluate your own role in

the current and future company. How you can continue to add value and build opportunities for your successor to grow and develop your business.

What behaviour should you be showing as compared to what you are showing now? What do you need to change about yourself to make sure the business can succeed with your successor?



Choo says she will give opportunities to her successor to grow