

# Successful Family Businesses

Generation after generation

家業長青  
企業傳承





### **Definitions**

For the purpose of this survey, a ‘family business’ is defined as a business where

1. The majority of votes are held by the person who established or acquired the firm (or their spouses, parents, child, or child’s direct heirs);
2. At least one representative of the family is involved in the management or administration of the firm;
3. In the case of a listed company, the person who established or acquired the firm (or their families) possess 25% of the right to vote through their share capital and there is at least one family member on the board of the company.

### **Survey methodology**

112 qualitative interviews and six face-to-face interviews were conducted in Singapore from July to September 2015. The turnover of majority of the participating companies was from SGD\$10-50M, across varying industries.





# Contents

1. Foreword	5
2. An overview: Balancing the scales	6
3. Family values: Heart over head or head over heart?	7
4. Patient capital: Slow and steady wins the race	10
5. Professionalising the business: Bringing in outside expertise	12
6. Bridging the gap: Succession in ownership, succession in leadership	15
7. Passing the torch: Preparing the next generation to lead	18
8. Open to diversity: Seeking talent wherever it's found	20
9. The right fit: Attracting talent to family businesses	22
10. Conclusion	24
11. About us	25
12. Connect with us	26

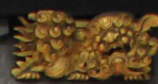


民國十一年六月

新嘉坡中華總商會

部題給

SINGAPORE CHINESE CHAMBER OF COMMERCE.





# Foreword

The past decade has seen great shifts in the local family business space. In the wider business community, many have recognised that family businesses form a major component of SMEs in Singapore, at the same time creating employment opportunities and contributing to Singapore's GDP.

The challenges today for Singapore's family businesses are two-fold. Singapore's recent round of economic restructuring and manpower tightening measures started in 2010. Currently into its fifth year, it coincides with a time when family businesses that started in the 1960s and 1970s are undergoing a transition from one generation to the next.

This is a transition that many of Singapore's family businesses have not faced before. As we consider the relative youth of Singapore's family businesses, it will be a transition from the first to second or second to third generation – unlike their western counterparts who have seen four to five generations of succession.

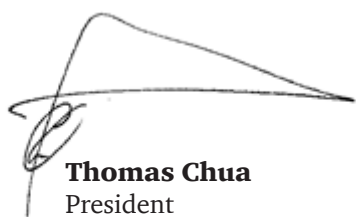
We spoke to close to 120 family businesses, from entrepreneurial start-ups to those that have been trading for over a century.

Over a third of Singapore's family businesses are still in their first generation, with 54% on the second. Proper succession planning is therefore a relatively new concept and has been overlooked by many for too long.

How they deal with family transition and other challenges will determine the success of Singapore's family businesses. For some this will require major changes as they professionalise, removing a large component of emotion from the equation and possibly even moving into new areas of the business.

This report reveals some reassuring trends, but also some areas for improvement. Family businesses have long played a crucial role in the economy, but change is needed for that to continue.

We have been extremely fortunate to have all our participating families come forward to share their views and with such great enthusiasm too. We thank them for their support and valuable insights.



**Thomas Chua**  
President  
Singapore Chinese Chamber of Commerce  
& Industry



**Ng Siew Quan**  
Asia Pacific Entrepreneurial and  
Private Clients Leader  
PwC Singapore

## An overview

### Balancing the scales

Family businesses in Singapore differ slightly from those in other parts of the world. For a start, they tend to be younger: 54% of businesses covered in our survey are in the second generation, and 33% in the first.

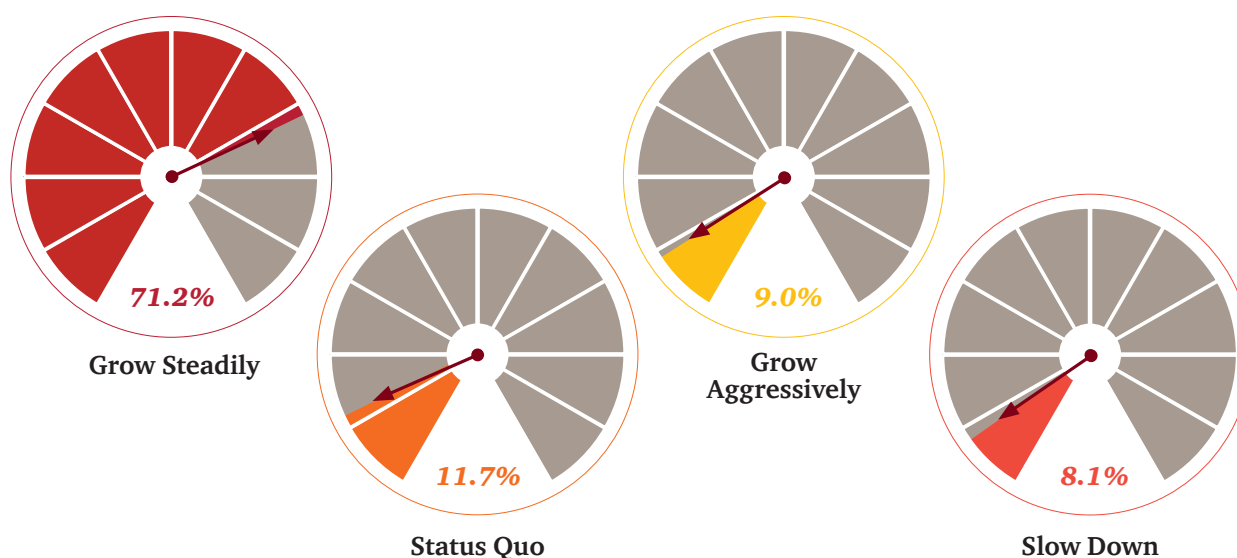
This represents a crucial time. Running parallel to the Chinese saying, “wealth does not pass three generations”, a study has shown that just 12% of family businesses make it to the third generation.<sup>1</sup> How many of Singapore’s family businesses will cross this hurdle depends to a large extent on what they do now.

From our observations we find that what Singapore’s family businesses are doing now is keeping the fine balance between Western business practices and the preservation of Asian values, in particular the desire for harmony. This may not be unique to Singapore but it does manifest itself in some specific contrasts between Asian and Western family businesses.

Family businesses over the world tend to take a longer term view than non-family firms, prioritising stability over quarterly returns: it’s a phenomenon we call ‘patient capital’. But in Singapore that trend is even more pronounced, with 71.2% of respondents predicting steady growth over the next five years, and just 9% saying they plan to grow aggressively. That compares with 70% predicting steady growth and 15% aggressive growth in the 2014 PwC Global Family Business Survey.

This desire for harmony can make managing the family and the business easier, provided it does not come at the expense of entrepreneurial judgement and spirit.

#### Growth aims (in the next 5 years)



<sup>1</sup>Family Business In Transition: Data And Analysis (January 2007)

## Family values

### Heart over head or head over heart?

Family values and business values can be poles apart. While a business exists in large part to achieve its financial objectives, families have an entirely different motivation. They typically bring a less profit-centred focus: we see a greater desire to serve the community, to retain staff even during downturns, and to avoid making huge bets in exchange for quick returns. It is the injection of this very human element into the mix that makes family businesses unique.

Balancing the needs of running a profitable business with the preservation of family values can be a challenge. It is not easy. As the scales tip to either side, we see that family businesses fail for a number of reasons, but more often than not, the reasons are family-related – disability, divorce or disagreement.

But when the right balance is struck, a family business can make a unique contribution to the economy. It may be that profit is not the priority of the business but a means to an end, one of the reasons for 33.3% of survey respondents saying that they do all they can to retain staff even in difficult circumstances.

#### Advantages of being a family business

*% agreeing with statements on how family businesses should behave*



For some, it is the shared family values that have provided the competitive advantage – one respondent told us how settling disputes on the family-run board is never that difficult, since all the members enjoyed the same upbringing.

As we consider the values-centric and ‘softer’ approach that family businesses adopt, it may provide for competitive advantages relative to non-family companies. However, the approach may not work all the time. For family businesses that want to achieve business success and still remain in harmony, this needs to be combined with a more formal and ‘hard-hearted’ way of going about the family business. Essentially this requires catering to occasions where not all family members can come to a mutual agreement. That means putting in place controls and developing a proper family ownership structure to help mitigate the risks that can come from emotionally-driven decisions.

***“I think everyone needs to have some shared values to maintain harmony.”***

## **Upholding family values**

Focus Network Agencies (FNA) Group International

**Sector: Confectionery**

**Founded: 1991**

When the CEO of DFS decided to close its chocolates Trading Division, what seemed like the end of a promising career for Mrs Esther Loo, evolved into a blessing. It spurred the birth of Focus Network Agencies (FNA) on 1 October 1991 with the blessings of DFS and encouragement of Mr Loo. Despite much trials and tribulations, the risk paid off.

It is with this spirit of determination and perseverance which transformed FNA from five staff to become a leading distributor and retailer of branded consumer lifestyle products today.

Today, the company employs 750 people and stocks some of the world's best-known confectionery brands like Mars and Cadbury's, and has operations in countries such as Taiwan and India, as well as a line distributing wines and spirits to the duty-free trade.

FNA has diversified too, opening its own outlet in 2001, The Cocoa Trees, which now has branches across Singapore. Many of the world's largest confectionery companies are family owned, but the models they have adopted differ: for example, the Ferrero family is fairly hands-on. Whereas Mars, while 100% family-owned, has mostly left the day-to-day running to professional management. FNA therefore – is still in its first generation, and needs to determine the kind of succession that's most appropriate.

As a distributor, the core of FNA's business is the relationship with the brands it stocks, most of which are currently handled personally by Paul Loo, the Group's CEO. The challenge is how to broaden the number of people involved in those relationships without diluting control over them. One possible solution may lie in the next generation: the Loos' second daughter is already actively involved in the business, running around 30% of it, so any succession plans are likely to feature her playing a central role.

The business has changed dramatically since its inception, becoming more thoughtful and analytical in its decision-making in part due to greater uncertainty. The task now is to formalise those processes, professionalising the business and putting systems in place that can be used by future leaders whether they are drawn from within the family or not.

Paul is adamant that family members should earn the right to work in the business – his second daughter is already playing a role while other children may have other interests, which they are encouraged to pursue.

“Seeing how FNA is only into its first generation, albeit with a vision to continue in a sustained manner for as long as it can, I'm keen to start off right,” said Paul. “To do that especially with family in the business, I think everyone needs to have some shared values to maintain harmony. At the same time, we are also formalising parts of the business to prepare potential family or non-family members as they take over in the future.” He adds that the key challenge will be in deciding which parts of the business he would like for it to be family-driven and which could be managed by professional management.

On values, Paul shares that “collectively, the family believes in giving back to society. We've been extremely fortunate in bringing the business to where it is today, not falling short of the people who have supported and encouraged us. So we want to share this success with the wider community and hopefully have this manifested in the business.”



## **Retaining values and accommodating diverse family interests**

Tat Hong Holdings Ltd

**Sector:** *Engineering*

**Founded:** *1970s*

Family crane business Tat Hong was founded in the 1970s in Singapore, and now operates 1,500 cranes across the region. By tonnage it's the seventh largest crane rental company worldwide.

Now in its second generation, the business faced a challenge due to a lack of internal structures. There were eight brothers working in the business, and in the earlier years, staff was occasionally unclear on whose instructions to follow. Recognising the need to change, the family agreed that Roland Ng (Group CEO and Managing Director) would take the lead, and clear shareholding structures were put in place.

"As with other businesses, there are disagreements," said Roland. "But the advantage of working with my brothers is that we don't take disputes personally. We were brought up under the same roof and hold the same values. It's precisely because of these values that have helped us stay close and weather crises in the business."

Attracting external talent to the business has proven challenging, in large part due to the perception of the industry in which it operates: it's simply not considered as 'glamorous' as other sectors. The family has managed to turn this to its advantage, adopting an "all hands on deck" approach which has galvanised the entire second generation to put the interests of the family business before their own.

With so many family members involved, Tat Hong has put in place incentives to encourage teamwork. An internal fund has also been set up to allow family members to venture into businesses in other areas, allowing for diversification of the family's interests while also providing opportunities for those who are not inclined to get on board the core business. Roland's son for example, now runs a family investment-holding company outside of the core business.

The next step is to further professionalise the family, introducing a family constitution and protocols, while also formalising those areas of the business in which the family still predominates, such as sales and business development.

As the business continues to grow, Roland's main wish is that his successors continue to follow a patient approach, while his generation follows the example of the company's founder and take a step back to allow for fresh blood and new ideas.



## ***Patient capital***

### ***Slow and steady wins the race***

While listed companies mull over quarterly results, family businesses take on a much longer-term view. With perpetuity in mind, this can result in very different behaviour.

This could mean a more prudent and conservative approach to doing business, and a tendency to hold on to more resources. At times, the conservative approach impacts the way family businesses view short-term gains and their appetite for risk. With the inclination towards greater reluctance for riskier transactions and a preference for spreading their risk over a longer period, this could mean putting themselves in a better position to weather short-term recessions.

That's not to say that profit doesn't matter, but the motivation is to sustain the business over generations rather than fret over quarterly returns. It's something we call patient capital, and 45% of respondents to our survey said they felt it was a key differentiating factor of family businesses.

That leads some family businesses to make decisions other companies would not consider, for example keeping open a business unit that takes in less profit but provides employment for family members rather than freeing up the capital for something more productive.

The challenge for family businesses in Singapore as they professionalise is to balance their longer term thinking with the shorter-term, possibly more aggressive approach of the outside talent they will need.

## **Patience goes a long way**

Leung Kai Fook Medical Company

**Sector:** *Pharmaceuticals*

**Founded:** 1928

For an example of patient capital in action, look no further than Leung Kai Fook Medical Company, the maker of the popular Axe Brand Universal Oil. While other businesses typically look for a rapid return on investment, Leung Kai Fook Medical was prepared to distribute free samples of its product for 10 years in order to break into a new market, all without taking on debt.

The company was founded in 1928 by Leung Yun Chee, who had originally been sent to Singapore from his native China to develop business for a silk company. After moving into drug trading he was given the formula for what would become Axe Brand by a German physician, and set up his first store.

Leung Yun Chee's eldest son, Leong Heng Keng, joined the business in 1947 with nothing more than a high school certificate, and remains the company's chairman to this day. His brother, Leong Mun Sum, took a more formal route and obtained a Masters in Pharmacy in the UK, before joining the business in 1987. Along with three other brothers they continue to run the company despite being in their 80s.

The company does not believe in excessive borrowing and has a very low tolerance for risk, shunning debt and opportunities for rapid returns.

"Admittedly, the biggest impact that we've had is slower growth but it has also created an advantage for us," said Chris Leong (General Manager). "The company has been able to weather the ups and downs of many economic cycles."

A case in point: the company spotted an opportunity to market its products to Asian Muslims traveling by passenger liner to undertake the Hajj to Saudi Arabia, many of whom suffered sea sickness on the long voyage. Free samples were handed out for an entire decade, but this patient approach paid off, and Axe Brand is now a firm favourite among pilgrims. Similar long-term approaches have been undertaken to break into other new markets, such as China and Myanmar.

That patient approach manifests itself in other ways. The company has resisted the urge to dramatically increase prices, relying instead on economies of scale through sales in 50 countries to make a return. And strong family values dictate the company's behaviour, with a major focus on giving back to society.

The brothers are open to the idea of bringing in external talent to manage the firm, but stress that it is their long-term approach that has sustained the business for almost 90 years, and that whoever takes over the reins will need to continue this tradition.

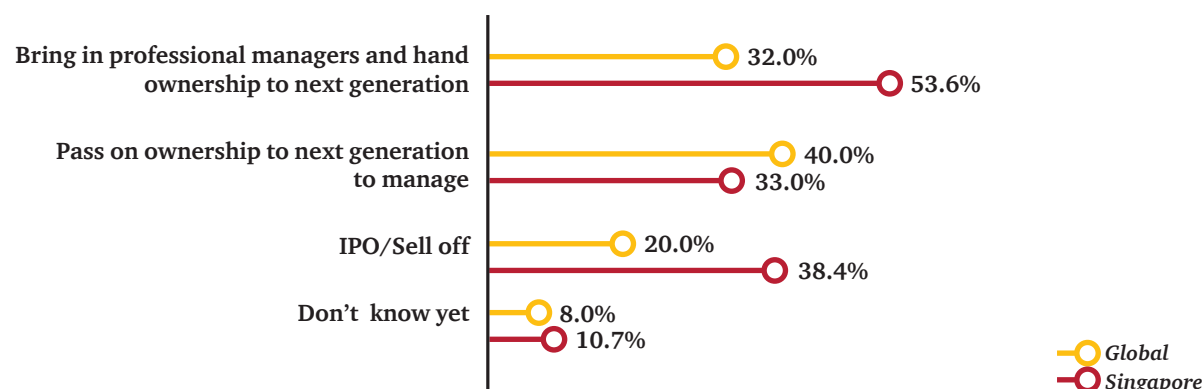
# Professionalising the business

## Bringing in outside expertise

As we have seen, the need to professionalise is becoming stronger as Singapore's relatively young family businesses reach the limit of growth. Family businesses often find it hard to source for external financing and may even be reluctant to do so which can limit their ability to take advantage of growth opportunities or expand to new markets.

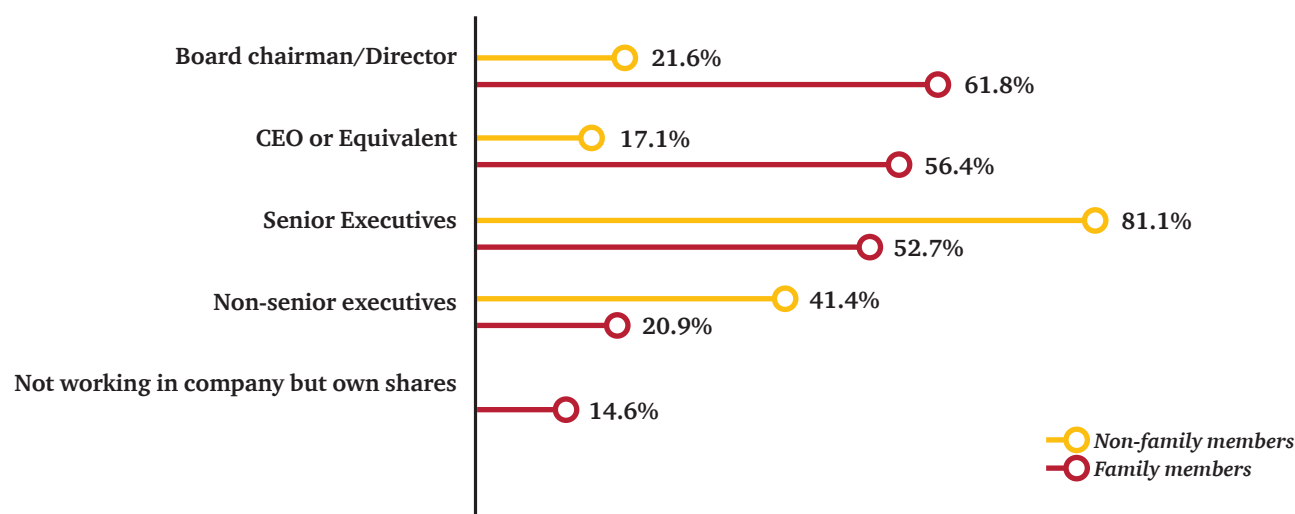
It's a challenge that Singapore's owners of family businesses are aware of 53.6% of respondents said they plan to pass on ownership to the next generation of the family, but bring in professional management to run it. Globally, significantly less family businesses (32%) go with this approach, preferring to pass both ownership and management to their family members.

### Future plans



For some, the process of professionalising has already begun. While Singapore's family businesses are far more likely to have their overall direction managed by family members (61.8% have family members on the board versus 21.6% with outsiders), senior executives are increasingly likely to be non-family (81.1% outsiders versus 52.7% family members).

### Family & non-family involvement



This clearly indicates that local family businesses see the benefit of bringing in professional managers and are doing something about it.

There has been a clear shift towards greater professionalisation in Singapore' family businesses. However, this is a recent trend. It's born out of more than a desire to be able to attract and retain external talent. Family businesses are also aware that it is essential to move away from reliance on one individual, or a small group of family members as this approach is not sustainable in the long run.

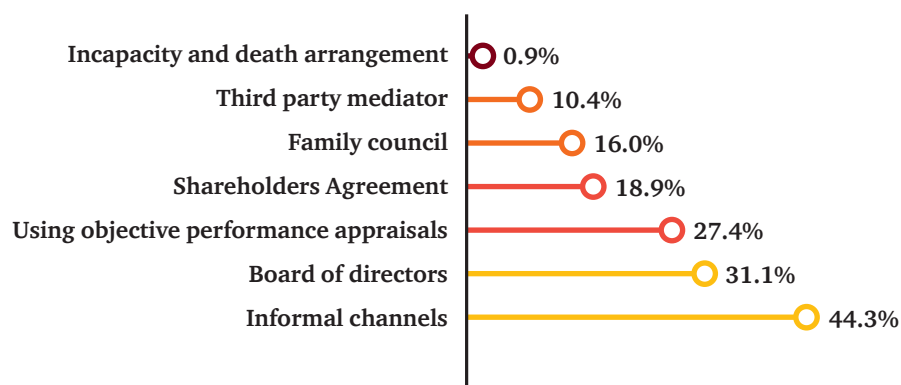
As we have already seen, family firms need to put in place measures to attract and retain external talent, such as a clear career path and proper internal structures. But in order to professionalise the business, the first step is often to professionalise the family.

This begins by agreeing on a set of family rules – often enshrined in a family constitution – which is to the family business what the articles of association are to a public one. It sets out the expectations of the business and the 'rules of engagement': are spouses or in-laws to be involved in the business? How will new family members be inducted?

From this a family council is formed which acts like a board of directors. An annual family meeting serves as an AGM, keeping all family members up to date. In this way things become more structured, removing – or at least reducing – the role of emotion in decision making and allowing for greater harmony.

The family council – or a subcommittee – can also hear disputes in a formal, structured way, reducing tension and helping to find consensus. In comparison to 2014 PwC Global Family Business Survey, this is one area where Singapore family businesses lag behind their international counterparts, with just 16% using a family council to resolve disputes, compared to 44.3% who rely on informal channels.

### **Conflict resolution** *Procedures in place*





## Professionalising and planning for success

Jumbo Seafood

**Sector:** Food and beverage

**Founded:** 1989

Jumbo Seafood may be a household name in Singapore today, but the family-owned business witnessed several false starts in its early years. The business began in 1987 when Mr Ang Kiam Meng's (CEO) father and a group of friends bought out a struggling restaurant in East Coast Seafood Centre, hiring a professional manager to run it.

The manager proved to not be up to the job, so in 1989 Mr Ang's father took over the role himself to begin the process of turning the business around.

Mr Ang himself joined the business in 1993 to manage a branch after several years working in an engineering company.

Initial growth was slow as the business tried to find its footing, including a failed bid to expand overseas. This led to a restructuring which culminated in the introduction of a central kitchen to help ensure consistency. A food technology consultant was employed to ensure the group's famed Chilli Crab could be properly replicated in other markets.

The investment was an expensive one, but it led to double digit growth in each of the past eight years, and today the chain has five outlets in Singapore, as well as three in China.

The family remains active in the business: aside from Mr Ang, his father, an uncle, his wife and two sisters all have formal roles, and his eldest child helped out with an IPO launched in late 2015 to fund expansion.

As a family business with a relatively small number of decision makers, Mr Ang believes Jumbo has been able to act quickly to take advantage of opportunities and kill off bad ideas, such as the initial overseas expansion.

"There aren't many major decision makers so the approval process is a lot faster and we've managed to jump on opportunities quickly," said Mr Ang. "However, when conflict arises between family members, that can be harder to manage compared to those among professional management. We want to ensure that we can sustain this quick decision-making process in a harmonious way and that can only be achieved with some form of family governance."

His hope is that the next generation of the family will take over management on his retirement, but he is open to the idea of bringing in professional managers should they prove more capable. He is also keen for the business to not become a burden to future generations: family members who do not want to work in the business, or even own shares, should be free to cash out. Succession planning is high on Mr Ang's agenda too.

"It's my hope to perpetuate the business and that the family can continue to run it when I've stepped down. At the same time knowing that there are so many options out there for the next generation, I won't be ruling out the possibility of having professional managers come in or if any family members wish to cash out."

*"We want to ensure that we can sustain this quick decision-making process in a harmonious way and that can only be achieved with some form of family governance."*

## ***Bridging the gap Succession in ownership, Succession in leadership***

Globally just 12% of family businesses make it to the third generation. A clear succession plan is vital to avoid becoming part of this alarming statistic.

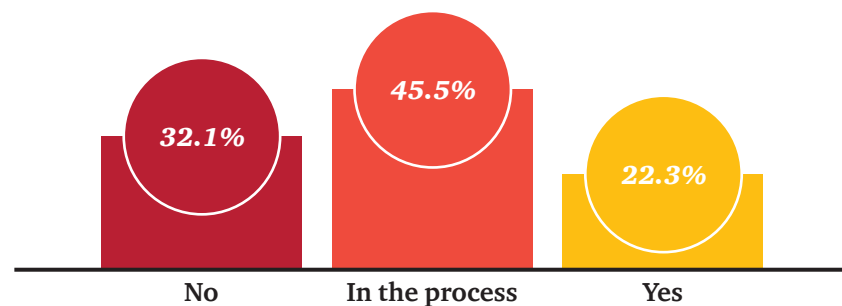
Succession plans vary dramatically from company to company depending both on the business and on the family's wishes. There is no 'right' answer. The key is to have a clearly documented plan.

Yet our survey showed that just 22.3% of Singapore's family businesses have a structured succession plan in place. In part this reflects the relative youth of family businesses here: over a third is still in the first generation, while 54% are only in the second.

But there are cultural factors at play too. Although there has been awareness that the current generation would not be around forever, not many are willing to acknowledge it.

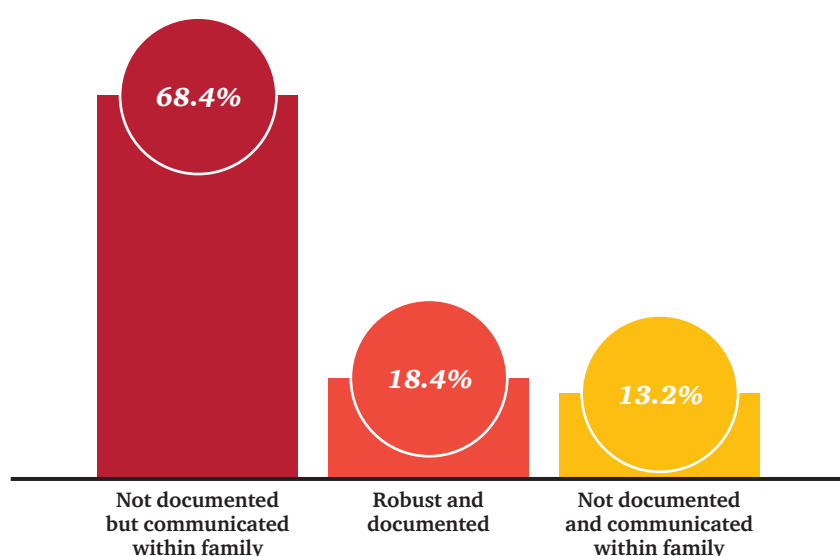
That has changed dramatically in the past few years as the current generation near retirement age: 45.5% of respondents to our survey said they are in the process of implementing a succession plan, leaving just 32.1% who are doing nothing.

**Percentage of family businesses having a structured succession plan**



But even among those with a plan in place, it is often not as robust as it could be, with 68.4% having no formal documentation and about 13.2% saying they have not clearly communicated their expectations to their planned successor.

### Succession plans documented or communicated



This matters, because if this is not considered and planned for in time, the decision maker may eventually fall victim to one of the Ds: divorce, disability or disagreement. It is then that the need for a formal plan becomes apparent.

Typically the process of producing a succession plan begins with a conversation with the current leader or leaders. While most want to pass on the business to the next generation, 17% plan an IPO, while 7% would prefer to seek private equity investors. Some owners even wish to sell the business and donate the proceeds to charity.

The question of who should own the business is typically the easiest to answer: assuming the business is not to be sold, and then shares are typically given to family members. But the issue of management may be trickier. Does the owner choose a successor from within the family? Bring in outside expertise? What happens to family members who are overlooked?

With those thoughts in place the final step is to speak to those affected by the decision to try to reach a consensus before the plan is finalised. For it to succeed, preparing the next generation is vital.

## **Succession approach differs with each generation**

Pacific International Lines Pte Ltd

**Sector:** Maritime

**Founded:** 1967

Incorporated in 1967, Pacific International Lines (PIL) saw its humble beginnings in a newly independent Singapore as a coastal ship operator. Two vessels and a decade later, the company expanded to China, the Arabian Gulf and East Africa. The family business now has its presence across the globe, delivering expansive operations in container shipping and related services with the strong support of about 18,000 employees.

Lisa Teo, Executive Director (Corporate Development) and second generation member in the family, shares that the nature of the business requires a fair bit of agility and the ability to make snap decisions with a large amount of capital at play, and the family business plays to that requirement as many decisions can be deliberated within a short period of time.

Further, the fact that the family has a vested interest in the business means that the decisions are taken with a long term perspective in mind. Lisa was introduced to the business since young, and was well exposed to the machinations of the business. Family holidays were often weaved into business trips, and that gave her an opportunity to learn how her father conducted business, e.g. dealing with business partners.

This immersion into the business environment helped her better understand the business. Lisa acknowledges that one advantage of being a second generation in an established business is the “luxury” and privilege of being put into an environment that is able to test oneself and make mistakes, though it requires the current generation to be tolerant and open-minded enough to let go.

As to why she decided to join the business, Lisa comments on the combination of two factors, “there’s a bond that invariably forms when being exposed to the business from young. PIL may be a little old-fashioned, but this does have its strengths; the business is still like one big family, to the extent that we still do have meals together that also involve staff joining in. Also, there was a sense of expectation from my parents to eventually join the business.” Likewise, this expectation has transcended to the third generation, for her nephew to come on board.

Lisa shares that where inducting the next generation into the business is concerned, there is currently no formalised approach. This is partly due to the belief that the next generation should not be forced to participate in something that they have no interest in.

“If they don’t have the heart in it, then it won’t work,” Lisa states. “It’s important that the next generation who chooses to join the business internalise the values. This has to be inculcated from young, and also an ongoing process as they grow up. Because the family is rather large (many siblings and their children) and many of them are already in the business (across the Board and working as senior and non-senior executives) as well as shareholders, succession is currently not a pressing issue.

However, Lisa notes that a more intentional approach to attract them to the business may need to be considered with the third generation given the number of options they have.

To her, nature and nurture are both important attributes to what makes a successful transition for the next generation but nature should come first. “The willingness to carry on the business as well as the attitude must first be in place before nurturing can take place,” Lisa explains.

*“It’s important that the next generation who chooses to join the business internalise the values. This has to be inculcated from young, and also an ongoing process as they grow up.”*



## ***Passing the torch***

### ***Preparing the next generation to lead***

A third of our survey respondents said that they intend to hand over management of the business to the next generation of the family. For a handover to be successful there are three gaps that need to be overcome.

The first is the generation gap. Children tend to be better educated, better travelled and have more opportunities in exploring other career paths than their parents, and so may not even wish to join the family business. Respondents to our survey are attempting to tackle this though, with 61% providing internships and 50% allowing diversification into new areas in an attempt to interest the next generation.

The second gap is communication. The older generation may not have clearly explained their wishes, their children may not have expressed a clear interest and, in the absence of a formal plan, all parties are second guessing one another.

The third is the credibility gap. Simply having the same surname does not confer the right to lead: 'parachuting' an inexperienced family member into the chairman's office is a recipe for disgruntled employees and poor decision making. Hence, if a family member were to take over in the future, preparation needs to start now.

That means putting in place a structured roadmap to equip the next generation with the skills, experience and credibility they will need. Younger family members can spend time in the organisation during school holidays. On graduation they can work outside the business for a few years to gain experience. Then when it's time for them to join the family firm, there should be a plan in place to have them work their way up through the ranks.

Not only will this provide greater acceptance among employees: the experience they gain will help them to be more effective leaders and decision makers.



## **A principled approach to growing a family business**

Tiong Seng Group

**Sector:** *Property and construction*

**Founded:** 1959

The history of Tiong Seng goes all the way back three generations to Mr Pek Lian Guan's (Executive Director and CEO) grandfather, who started ventures such as scrap collection and pig rearing. When Mr. Pek's father (Mr Pek Ah Tuan) and his brothers came of age, the businesses were split amongst the siblings as a way of encouraging them to build their individual careers. Together, the brothers grew Peck Tiong Choon quickly, even navigating a change of industry by entering the transport business.

After learning more about the construction industry through various earthworks projects, Mr Pek collaborated with Mr Lee Tuan Chay, a businessman specialising in piling and excavation work, to enter into a joint venture establishing a construction company called Tiong Seng. At this point, an employee who was fluent in English was hired, allowing them to shore up Tiong Seng's competitive advantage. Recognising his contributions, both founders each gave the employee (Mr Khng Kwi Cher) a 2% stake in the business.

Mr Pek Ah Tuan inducted Mr Pek Lian Guan and his siblings in the business early. Even through secondary school, the children would be working alongside their father at construction sites during their holidays. Coinciding with Singapore's economic growth after gaining independence, Tiong Seng enjoyed rapid growth in the 1970s and 80s but was badly hit by recession at the end of that decade, forcing them to scale down operations in Singapore. While Tiong Seng did have an overseas business presence, Mr Pek Ah Tuan decided to direct his efforts towards strengthening Tiong Seng's overseas footprint while waiting for Singapore's economy to recover. This led to expanding business interests in China, Vietnam, Laos, and even Papua New Guinea. Eventually, Tiong Seng started flourishing on local shores again.

These anecdotes illustrate the principles that have guided the family business through turbulent and fraught times. First and foremost, family ties are highly valued in the Pek family. As children growing up, Mr Pek Lian Guan recalls how his siblings and cousins were encouraged to build strong bonds that have since developed into resilient relationships at work. Secondly, the business has always sought to grow their core products while identifying any business opportunities that would allow for diversification. Thirdly, the family strongly believes in the principle of adding external talent to its management team in order to build competitive advantage. The spirit of meritocracy is further evidenced by the fact that neither Mr Pek Ah Tuan nor Mr Pek Lian Guan was the eldest in the family when handed the reins to Peck Tiong Choon and Tiong Seng respectively. Fourthly, nurturing of family members begins at a young age, and with a focus on building a career from bottom-up. This allows family members a grounded reality of the pains of building and running a business successfully. Lastly, the company's business horizons are never limited by geographical boundaries, but guided by opportunities.

These principles have since guided Tiong Seng in its transition from a private company to one that is now listed on the SGX mainboard. By establishing proper succession planning for both family and non-family staff in the business, a structure has been built to attract and nurture management talent from both internal and external sources. Faced with the current uncertain business climate, Mr Pek Lian Guan believes that these principles will be of greater importance in guiding the next phase of growing and transforming the family business. "We trust that our principles will guide us to do what is right and necessary for the family and the business," he said. "By holding true to these principles, we will be able to deliver better value in our business offerings, while providing stable family ownership through generations."

## Open to diversity

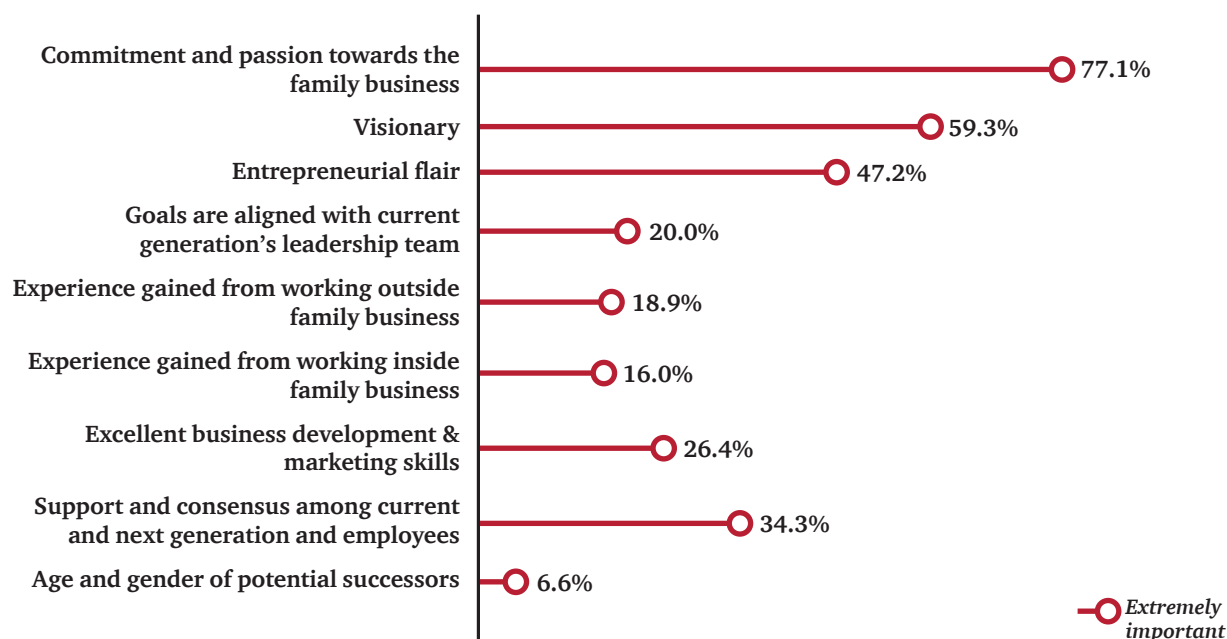
### Seeking talent wherever it's found

While family businesses may be seen as traditional, even old fashioned, in practice they tend to be much more open minded than that, recruiting from within the family based on merit rather than age or gender.

Singapore's family businesses tend to be accepting of talent wherever it's found, whether that means a son, daughter or even a non-family professional manager. In fact anecdotally the main reason we see for talented family members not to join the family business is not because they are not invited to do so, but because they made the choice to explore opportunities elsewhere.

In our survey, commitment and passion were ranked as most important attributes in a potential successor, followed by vision and entrepreneurial flair. 6.6% thought that age and gender were least important.

#### Successor's attributes



## Navigating a male-dominated industry and bringing fresh ideas to the table

Pollisum Engineering Pte Ltd

**Sector:** Engineering

**Founded:** 1984

Crane operator Pollisum Engineering was founded by husband and wife Ang Ka San and Julia Tai in 1984 with an entirely different rationale: the supply of tropical fish. But when a flash flood killed most of the stock the business had to diversify to survive and moved into crane repair (Mr Ang's original career) before acquiring its first crane in 1986.

Today the company employs 180 people and operates 140 cranes, doubling revenue between 2010 and 2014 while enjoying margins higher than most of its rivals. It has diversified too, branching out into engineering works and fabrication of construction equipment.

The business is looking to expand into Malaysia while further diversifying into marine engineering and logistics – an area which has so far proven lucrative – and at the same time transitioning from an owner-manager to an owner led model.

Angel (Business Development Manager), the daughter of the founders, began her career outside the business, setting up her own company which she subsequently sold, before going on to pursue a degree in marketing. While studying she was active in the entrepreneurial community, gaining exposure to a number of key mentors.

“Upon graduation, I was persuaded by some of my mentors, as well as family to join the family business,” she said. “So in 2011, I did just that. I think the experience of setting up my own business helped in preparing me to take up a role in the family business.”

As a family member and a female in a traditionally male-dominated industry, Angel was determined to show that she is capable to do what was entrusted to her and if others can do it, she can do it as well. “I was conscious of how people would see me as the ‘boss’s daughter’ so there was additional effort on my part to get my hands dirty and pitch in with tasks along with the team. While it was a personal endeavour to be regarded by others just like anyone else in the firm, I also wanted to use my unique position to encourage greater dialogue between staff and family members.”

There are times when even communication between family members isn't the most straightforward.

“My father tends to be more rooted and traditional in doing business while I sometimes prefer to try new methods of going about things. My approach was to have my mother as a sounding board where I will convince her to take my ideas to my father. The approach has been mostly successful – I've managed to execute some of my ideas with the acceptance of both my parents.”

Angel's involvement has exposed her to many facets of the business, including handling customers, site visits to understanding back end processes such as finance and accounting and even having to deal with bankers regarding lines of credit and hire purchase. Given that exposure and unique position with the company, she has been able to push through a more structured approach to training for all employees, both family and non-family members, which will help provide the structure needed for the next phase of the company's growth.

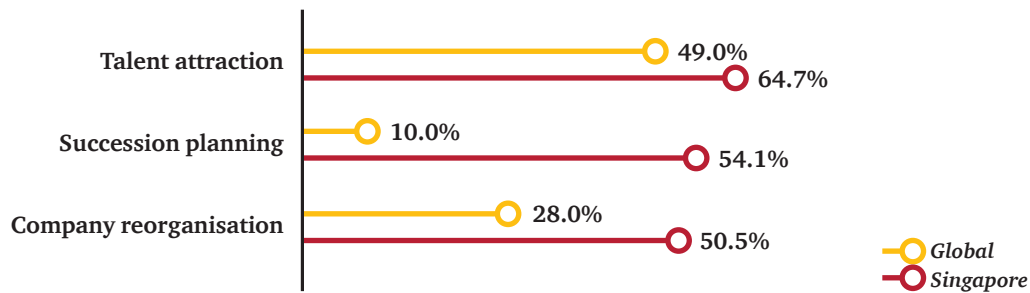
*“While it was a personal endeavour to be regarded by others just like anyone else in the firm, I also wanted to use my unique position to encourage greater dialogue between staff and family members.”*

## The right fit

### Attracting talent to family businesses

64.7% of family businesses in Singapore cited attracting talent as the biggest challenge faced. This is a problem for all businesses, but for family firms it can be particularly acute.

#### Key internal family businesses issues



All candidates need to have a sense of the career progression and opportunities they will enjoy. Other companies tend to do a good job of marketing themselves to potential hires, yet many family businesses lack the internal resources needed to follow suit.

Candidates will also need to be assured that they will be given the information they need to do their jobs – not always a given in an organisation that may have few fixed structures - and that decisions made formally will not be overturned later through informal, family channels.

There are challenges for the business too. The structures needed to successfully integrate external talent may not exist, meaning that even if outsiders are hired they may not be able to function as effectively as hoped.

Bringing in outsiders also changes the dynamics of the firm. Family members may be reluctant to relinquish a degree of control, and outside professionals typically bring different expectations, in particular a desire for faster growth.

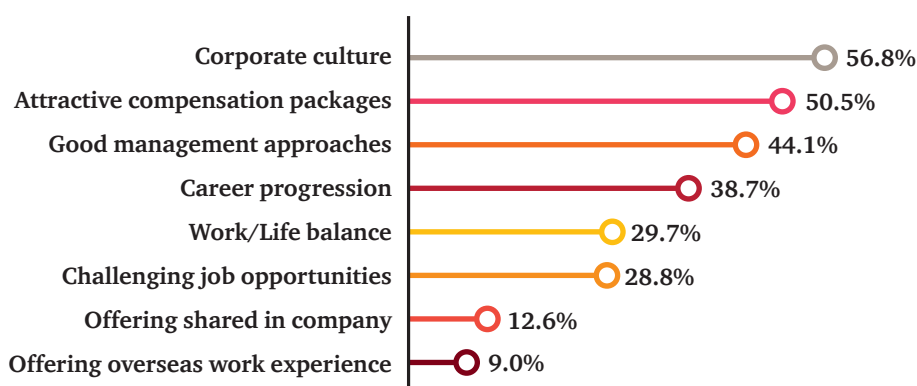
The solution is to professionalise both the business and the family. The business needs clear structures and procedures in place so that external recruits are given the tools they need to do their jobs. And the family needs clear governance to cope with the changes that introducing outsiders necessarily brings.

There are clear benefits to bringing in outside talent. A 2014 PwC survey in Germany found that family firms which hire outsiders at a senior level grow faster than those who do not. As the business grows, it becomes increasingly unlikely that all the necessary skills and experience can be found within the family.

Professionalising the business and bringing in external talent helps in other ways too. “Family businesses often complain that it can be hard for them to secure financing. The kind of governance mentioned above is a key measure potential investors will look for, as is having the right talent in place. Often, this means external talent. None of this will change the fact that it remains fundamentally difficult to recruit the right talent in Singapore. But it will help level the playing field for family businesses,” advises Ng Siew Quan, Asia Pacific Entrepreneurial & Private Clients Leader.

The businesses we spoke to for our survey are generally aware of this and are putting measures in place to retain external talent, with 56.8% citing corporate culture and 50.5% introducing attractive compensation packages as key measures.

### Measures to retain talent for family business



This matters because family businesses often reach a tipping point where further growth becomes more difficult without outside help. This can be a challenging time. But if the businesses – and the family – are professionalised in the right way, it can provide a strong platform for future success.





## ***Conclusion***

Singapore's family businesses tend to be young by global standards so they may be at an earlier stage in the journey towards formal governance, but our survey clearly shows the direction of travel. For both the individual businesses and the country's economy as a whole, this is signs of moving in the right direction.

When it comes to professionalising the family business, there is no 'right' answer. Each is unique, and what works for one may not work for another. But there are several imperatives that remain true across all businesses and all industries: the need to professionalise the business, the need to professionalise the family and, perhaps most important of all, the need to do so before a problem arises.

Moving forward, Singapore's family businesses will eventually need to make some tough decisions in order to balance the Asian values of harmony and togetherness with western business practices of formal governance.



## ***Knowledge partners***

### ***About Singapore Chinese Chamber of Commerce & Industry (SCCCI)***

Established in 1906, the Singapore Chinese Chamber of Commerce & Industry (SCCCI) is an internationally renowned business chamber and the apex body of the Chinese business community in Singapore. It is the founder of the biennial World Chinese Entrepreneurs Convention and the World Chinese Business Network ([www.wcbs.com.sg](http://www.wcbs.com.sg)), a global online business information portal. It plays a key and pro-active role in representing the interests of the local business community. In its continued drive for service excellence, the SCCCI has become the first business chamber in the region that was awarded ISO 9001:2000 certification since 1995. In 2009, the Chamber successfully upgraded its ISO certification to ISO 9001:2008.

The SCCCI has a membership network comprising over 4,000 corporate members and 153 trade association members, representing over 40,000 companies including large financial and business organizations, multinational corporations, government-linked companies, and small and medium enterprises from a wide spectrum of trades and industries. Together, they provide the business community with vast resources and an influential global Chinese business network for business, culture and education.

This report is published in conjunction with SCCCI's 110th Anniversary.

### ***About PwC***

PwC helps organisations and individuals create the value they're looking for. We're a network of firms in 157 countries with more than 195,000 people who are committed to delivering quality in assurance, tax and advisory services. Find out more and tell us what matters to you by visiting us at [www.pwc.com](http://www.pwc.com).

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

### ***Entrepreneurial and Private Client Services***

The Entrepreneurial and Private Clients (EPC) team at PwC Singapore is a group of trusted business advisors that understand the forces and considerations that drive business decisions. The EPC team works alongside owners and family members to listen to what matters to them, their concerns and their hopes for the future. EPC serves families, major stakeholders and decision makers in owner-managed and family businesses across a wide spectrum of industries. Please see <http://www.pwc.com/sg/en/entrepreneurial-and-private-clients.html> for further details.

©2016 PricewaterhouseCoopers. All rights reserved.

## Connect with us

### **Ng Siew Quan**

Entrepreneurial and Private Clients Leader  
PwC Singapore

[siew.quan.ng@sg.pwc.com](mailto:siew.quan.ng@sg.pwc.com)



*Visit our website here.*

### **Leong Teng Chau**

Senior Director  
Economic Research  
Singapore Chinese Chamber of Commerce and Industry

[tengchau@sccci.org.sg](mailto:tengchau@sccci.org.sg)



*Visit our website here.*

*This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PwC does not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it. © 2016 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.*



