



Bridging Generations: Insights into family business succession

Family businesses have always faced unique complexities in succession, not least the generation gap between current and future leaders. In February 2017, Stewardship Asia Centre and the Business Families Institute of the Singapore Management University jointly hosted a Stewardship Conversation for family businesses. First, second and third-generation members of some successful Singaporean family businesses shared their perspectives on family business succession and the generational gap that lies between each subsequent leader and the rest of the family.

The Gap Between Generations

Over the course of the conversation, it became clear that the generation gap challenge sat heavily on the minds of many family business leaders. The most common and most vexing issue they faced was different perspectives. Leaders of the younger generation may enter the family business with modernised ideas for running the company, only to meet opposition from the older generation who is unfamiliar with new methods and cautious about adopting new strategies. Several of the younger, more Westernized leaders who entered traditional businesses or blue-collar industries even

recalled encountering language barriers and culture shock when trying to communicate with their employees.

Second and third generation leaders also described feeling considerable pressure from the knowledge that their family has invested heavily in the business. The livelihoods of their relatives can depend on the decisions they make. This pressure is further increased by the parent-child relationship, especially for younger leaders, who shared how they felt that acceptance or rejection of their business decisions was closely tied to parental approval.

Furthermore, because families tend to be smaller than in previous generations, there is little room to pick and choose between potential successors. A few of the business leaders pointed out how this can put the older generation in a bind. If an only child is unwilling to take over the business, or lacks aptitude, they may find themselves at a loss for how to secure the business's future. One example that they brought up was US computer company Wang Laboratories. Although the founder's only son repeatedly demonstrated that he was unsuited to the work, he was nevertheless forced to take over various management roles in the company, and later case studies attributed the company's decline to his poor performance.



Bridging the Gap

“Challenges related to family business are inherently complex as we are usually dealing with dilemmas, which are really choices between good options, rather than choosing between strictly right and wrong solutions,” – Ong Boon Hwee, CEO, Stewardship Asia Centre

During the conversation, family leaders of the various generations shared their personal journeys towards bridging the gap. They acknowledged that each generation brings different advantages to the table: older leaders have extensive experience and the younger leaders have professional management and governance skills. To fully utilise both, they must have the patience to understand each other’s respective viewpoints.

For the older generation, understanding each other’s perspective may mean being open to their children’s ideas for changing the business. Sometimes, they felt, it might even mean being willing to consider that a child might not want to be part of the business, and acknowledging that the child’s skills lie in another direction.

At the same time, current leaders need to invest time into cultivating the next generation. Some second-generation leaders shared that they entered the business without their parents’ assistance or mentorship, and felt that they should not leave their own children to struggle in the same way. The education of the next generation presents

an opportunity to create and inculcate family values and business culture, so that potential successors can enter the business with at least a basic grasp of the principles and what it means to be part of the family business.

For the younger generation, it is important that they acknowledge the role that the family business has played in their lives. As the younger leaders pointed out candidly, the business has put food on the table and paid for their education. Joining the family business and doing a good job involves a strong element of filial responsibility and giving back to the family. It also involves actively making the decision to become the “right person”. Several of the younger leaders shared how, when entering the business, they took up positions and jobs that no one else wanted to do, but that improved the business in significant ways. Others spoke of how, finding that their education had not prepared them for the business’s needs, they set out to study more relevant fields or immersed themselves in the industry to gain a better understanding of the work involved.

Finally, the most important factor in bridging the generation gap may be the recognition that in family businesses, neither the “family” aspect nor the “business” aspect can be neglected. Business and family decisions frequently overlap and must be tempered by both filial and the relationship considerations that preserve family harmony, and the strategic and practical considerations that preserve the business. ■



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Developed by Stewardship Asia Centre

In February 2017, Stewardship Asia Centre and the Business Families Institute of the Singapore Management University jointly hosted a Stewardship Conversation for family businesses. First, second and third-generation business owners joined the event to contribute their perspectives on how to balance family with business, how to choose one’s successor – or how to become a successor – and how to close the generational gap. This article contains insights from the conversations at the event.