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Citation

Singapore Management University. Family Inc.. (2016).

Available at: <https://ink.library.smu.edu.sg/pers/141>

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FAMILY INC.

Published:

26 Oct 2016



It is a tough act to strike a delicate balance between family and business, says a fifth-generation business owner

Growing up as a fifth-generation business owner, CEO of Investor Inter-Tree Pte Ltd **Joshua Teo** received oral family history and witnessed the ups and down of his family business.

The founders of the family business began as rice traders in Fujian, China. In the 1970's, the third generation became the only family distributors of Kodak and Fuji Film in Singapore and Raya toothpaste in Malaysia. Today, as a member of the fifth generation, Teo offers investment advice and services to the extended family.

"I have a large family. I have 10 grand uncles and grand aunties with nieces and cousins on the maternal side of my family. On my father's side of the family, there are several wives. Over five generations, you can imagine the kind of politics in the family and business," said Teo at a talk organised by the Singapore Management University's Wee Kim Wee Centre entitled 'Lessons from a 3rd Generation Singaporean Entrepreneurial Family' in August 2016.

CLASH OF VALUES

With family members and relatives owning shares and having various portfolios of the business, Teo has observed a structural difference between family and business values.

“In business, you copy, fight and try to maximise profits and productivity. If I can pull you down so that I can advance, I will do that. That’s how it has worked in business in olden days. It’s not so much about harmony, care and concern, which family values are all about,” he said.

“You care for one another, you forgive and if you have to give more than needed, you will do so. You will make sure that the family stays together. This is a fundamental challenge in family businesses.”

In the traditional Asian family, harmony and keeping every member in the fold is of utmost importance for the matriarch or patriarch. Anything, including a family business, will take second place after family cohesion.

“In a family business, you cannot fire your relatives without major consequences to family values and relationships,” said Teo.

With regard to dealing with a disliked family member, “you will have to just grit your teeth and say ‘hi’ to him and be nice to him all for good governance”.

“Because it is family, sometimes you get emotionally charged. You would do and say things that are unnecessary. Your uncles, aunties and grandparents will then call you into the room and ask what’s been happening.”

This, in addition to certain risk-adverse family members in the business, would affect the agility of the company to react to market conditions. Rather than looking at the business, its performance and projects on a quarterly basis as practised by corporations, patriarchs and matriarchs of the family tend to view their businesses based on generations.

“You can sacrifice some businesses here and there, but these seniors want to ensure that the family and business will stay intact in the long term,” he said.

“In times of recessionary pressures, family businesses tend to fare better provided you have the financial resources to stay intact longer and you do not fire unnecessary. You are not pressured to keep performing.

“You can make losses in some years, that’s fine. But in boom years, family businesses will lag because they can’t make quick decisions as one will need to seek the counsel of the seniors and the buy-in from the juniors. It’s a long and bureaucratic process.”

OVER-COMMUNICATING PLANS

To help keep the family business running, Teo found a business plan and a family plan helpful. While the business plan charts the direction and growth of the company, a family plan helps in the execution of the smooth running of the business.

“What I’ve discovered is that you need to have very disciplined execution of plans, which is very difficult to do. This means reprimanding and correcting your relatives, which takes a lot of effort and may have irreversible consequences, even if it is done out of good intention,” he said.

To avoid misunderstanding and assuming that family members understand the plans, Teo says there is a need to “always over-communicate” even when emails and newsletters are sent and phone calls are made.

“At the start of our family meetings, we will talk about our values, mission and goals for the year. We will repeat them at the start of every meeting. This is to make sure that everyone understands the goals and we rotate the facilitator for every meeting with a different family member. This keeps the family together and ensures that all are on the same page.”

He added that family plans or constitutions that are clearly communicated should sound like a mantra or a family pledge. They should also be discussed by the family on an annual basis.

SUCCESSION PLANNING

It is a tough call to instil meritocracy in a family business, Teo observed. While companies can hire and fire based on merit and performance, it is not always the case when family members are employed in the company.

“If the business is running well and the family has the right business acumen and foresight, it will hire very good professional managers to bring the company from one phase to another.”

He said regardless of the size of the family business, adopting the best practices from the private and government sectors can go a long way in succession planning.

“It is not looking at your performance this or last year, but the past five or ten years. It is about regular training,” said Teo, who has spent a sabbatical year in Australia and a short stint at Harvard University on a leadership course. While such training is often expensive, the family deems it necessary for members to be trained for the business.

“What is written on paper may initially be carried out,” said Teo on having a named successor to the family business. “But if there is no buy-in from the rest of the family members, things will fall apart. For example, prior to the passing away of my grandfather, the family had discussed on plans and things were going fine. Things got a little difficult on my maternal side but the family remained intact because of my grandfather.”

As depicted by Teo, having a strong pillar made of up one or a group of family members, plans and constitution that everyone in the family business can agree to and follow will smooth out rough personalities, align goals and interests and grow the company. While tough love may be necessary for the survival of the business, it takes strong leadership and forward-looking individuals to make the business work.