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BP De Silva – Making a family business last through the generations

Singapore Management University

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How a Singaporean family business survived, and thrived, into a fifth generation

BP de Silva Group is a Singaporean family business with diversified businesses that span jewellery, food and beverages, and commodities. Its portfolio include Swiss watch brand Audemars Piguet, gold ornament brand Risis, and local restaurants such as Spizza and La Nonna. There were moments in its 140-year history where the Group nearly did not survive as it was torn apart from the inside by family conflicts.

“There was a time in the 3rd generation when Board meetings had to be brought to an abrupt end due to fistfights erupting between family members,” shares **Navin Amarasuriya**, CEO of the Risis brand, and a fifth generation manager of the company.

The odds were stacked against this company lasting as long as it did. “Most companies, of all types and sizes, fail within 20 years of their birth. Even among family companies—a much hardier breed—less than 30 percent survive into the second generation; barely 10 percent make it to the third, and only about four percent to the fourth,” Amarasuriya quoted knowingly, aware of how rare it was that he would have had the opportunity to play a role in running his family’s business.

How, then, did BP de Silva become an exception? “It was a combination over time of the right people, the right timing, and a healthy dose of luck,” Amarasuriya reflects.

STARTING OUT

It was in the late 19th century that Balage Porolis de Silva set out from his home country of Sri Lanka to Singapore, which was one of the destinations he went to to sell his stock of gems. Recognising the potential of Singapore as a place of future growth, the young de Silva decided to set up shop on the shores of the Singapore River. In 1872, BP de Silva was founded.

Over time, the business, which started out manufacturing and selling jewellery, would multiply to several branches, including one that stood on the site of Singapore’s would-be Supreme Court, and now the recently-opened National Gallery. BP de Silva grew in stature as a jewellery company, and could boast the son of England’s Queen Victoria, and Thai and Cambodian royalty amongst its clientele.

In 1928, Swiss watch company Omega appointed BP de Silva to be its distributor of watches. The company would become the largest distributor in the world for Omega, responsible for selling about 40 percent of its factory output in Switzerland.

It took business acumen to reach the top of the food chain, but during times of turmoil it called for human ingenuity.

“One of our managers took our valuables, put them in a sack, and buried it under a tree at his house for four years until the war was over,” Amarasuriya recalls of the second world war when many shops in Singapore were looted bare by Japanese troops. “Our shareholders had all assumed that our shops had been ransacked and we had lost everything. After the war, the manager dug out the sack and returned it to the company. He did not even accept any reward for it.”

Incidents like these proved how trustworthy the closest employees were, prompting the Group to treat management like family and to give them shares in the privately-held company. Employees were also given the opportunity to climb the rungs in the organisation.

Amarasuriya shared, “We had a window cleaner who rose up the ranks to become one of the key executives in the company. He went to Switzerland to meet Omega [executives]…and as the two business families became closer, their children became united by marriage. That was how I was born.”

The third and fourth generations

“Some say that the first generation founds the family business, the second generation grows it, and the third generation destroys it. We were no different.”

As the business grew, trying to maintain peace and harmony among shareholders was a huge challenge. By the time it came to the 1960’s and the third generation, the number of family and non-family shareholders totalled about 140. Disputes broke out over the distribution of assets, leading to Amasuriya’s grandfather taking out a big loan to buy out everyone and reinstalling a measure of stability.

To pay off the bank loan, Amarasuriya’s father and uncle – the fourth generation – both took the decision to focus on expanding into the watch business to grow the company. In the 1980s, Swatch in Switzerland partnered with BP de Silva to manage its network of companies in Asia. BP de Silva in turn learnt from Swatch about the workings of a publicly-listed corporation.

A PHILOSOPHY OF MANAGEMENT

Amarasuriya cites the separation of control and ownership as key elements of the company’s longevity. He recognises that some of the family members may not have assumed their position in the company had they not been born into it.

“I’m very proud that our Board is unusual in the sense that we have five independent directors who outgun the three family directors. We want our managers to be accountable to a high level of external talent.”

Amarasuriya and his two sisters, who also work in the Group, had a deliberate discussion to clarify their definition of success.

“We don’t want to be the biggest but we want to be the class leader in our industry, a force for good to impact our business in a better way.”

The main reason the company did not pursue an IPO is the desire to retain control of the direction in which the business is headed: according to their own vision, maintaining a long-term sustainable view instead of chasing quarterly profits.

“We’ve consolidated the business and built up a fairly sizeable cash reserve. We may consider IPO-ing one of the subsidiaries, but if we want to generate long term value, the IPO may not be the best way to do it.”

LOOKING BACK…AND AHEAD

Amarasuriya chuckles as he recalls how he started out learning the ropes of the family business.

“The first two years after joining the company were the toughest. My dad saw me as an idealist, whereas he is a pragmatist. But now he has mellowed and I have also understood him better after having had to deal head-on with issues about pay and a slowing economy.”

He adds, “I don’t believe that a family business needs to last forever if it does not represent some larger value. I’m a proponent of integrated reporting as a next step to make a proper assessment of the impact of the company in terms of not only its financial performance but also its environmental and social performance, in order to make more holistic assessments on performance.

“So the longevity of a company is also determined by what it stands for. If the only purpose of your business is maximising return, there are many easier ways to get a return on your capital than running a business. What gets you through the dark times is the belief in the company and the principles it stands for.”