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Business families as stewards of sustainability

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The drive to preserve the business for future generations makes family-owned enterprises especially suited to sustainability initiatives. Embracing ESG frameworks will help measure their effectiveness

The late Pope John Paul II once observed: “The earth will not continue to offer its harvest, except with faithful stewardship. We cannot say we love the land and then take steps to destroy it for use by future generations.”

“Stewardship is something that is well known to family-owned companies: stewardship of resources, of the purpose of your company, so that you preserve it for next generations,” notes **Arnoud De Meyer**, Professor Emeritus at Singapore Management University and Chair of Steward Asia Centre.

Within the context of Environmental, Social and Governance (ESG) and sustainability, Prof. De Meyer says family-owned businesses often display characteristics of the [Stewardship Asia Centre’s Stewardship Compass](#):

Long-term view: “Steward leaders are long-term thinkers. They’re willing to forgo short-term gains to achieve enduring returns. They also build organisations that make the world a better place for the current, but also for the future generations. It’s clear that family-owned companies have an advantage over MNCs or stock-listed companies because they usually have that long term view of several generations for the company.”

Ownership mentality: “Steward leaders imagine a better future, but they take it upon themselves to create a better future. You probably know the mantra, ‘If it is to be, it is up to me.’ People that have that attitude take responsibility and make things happen.”

Interdependence: “The steward leader recognises the interdependence between his actions and that of society. Steward leaders see the world as an integrated and interconnected web, in which the success of each constituent is coupled with that of the other constituents. We reject the notion of a zero-sum game.”

Creative resilience: “Because they are hugely ambitious about giving something useful to the world through their work or their business, steward leaders continually challenge themselves to innovate. When you commit to yourself to be a good steward, when you commit yourself to ESG in your decision making, you are going to make a difference.

“Steward leaders also become more resilient compared to others who strive for often a narrower self-centred purpose. You may stumble and fail from time to time, but your ambition to create a better future beyond yourselves keeps you going.”

KEEPING UP WITH THE TIMES AND HELPING OTHERS

Prof. De Meyer made those remarks in the keynote speech at the recent SMU Business Families Institute (BFI) conference, "Building a Sustainable World – The Role Business Families Can Play". In a panel discussion featuring three representatives of family-owned businesses, moderator Prof. Kenneth Goh asked, "How does your business integrate growth with progress towards your sustainability goals? How does family help in addressing the challenges of embedding ESG into the business?"

"In my grandfather's time, sustainability was a different term – it was about maximising revenue, taking your waste and making full use of it," observes **John Cheng**, a third-generation member of Cheng Yew Heng Candy Factory, Singapore's oldest and largest sugar manufacturer. "We were taking whatever raw materials we had, and just creating new products so we have zero food waste." Since taking over the business from his later father, Cheng has modernised operations and launched Innovate 360, an incubator for businesses in food manufacturing and food tech.

"When I joined the business in 2008, it never occurred to me that [we would launch an incubator] but the business needed to constantly change," Cheng says. "And while changing we were tapping on our strengths to move the business forward. It wasn't really about trying to be sustainable first, but trying to create impact that would not only help ourselves, and would help others."

For **Ankesh Shahra**, Founder and CEO of Agrimax Ventures and a third-generation member from a family business with strong agricultural roots, being exposed to the family business of edible oils and soya foods from an early age focused his mind on crop producers and the land itself.

"The way I've been exposed to agriculture is that my family business is traditionally a processor," he says. "We're buying commodities but we're not dealing with farmers at a direct level, to the granularity maybe that we could have. I realised that there's such a long value chain but we're not exposed to the most important part of the value chain, which is really the producer."

"I went down into the fields to speak to some of the smaller and marginal producers, the farmers, to understand their challenges. Looking at it over a period of time and seeing these challenges come to life in front of my own eyes, that struck a chord. And that's why I started looking at, 'What can I do to make a difference?'"

"I have a smaller role to play in a family business that's so mature, so what can I do that allows me some autonomy and some flexibility of decision making, which I personally also value? And that's where the backward integration into genetics came in."

The result: higher-yielding seeds that not only provided economic security for farmers but also addressed climate change concerns caused by farming. "The amount of greenhouse gases, the CO₂, the methane, and the nitrous oxide are all major contributors to global warming," notes Shahra. "As a society, we are faced with an issue where consumption is going up very, very significantly, but land is not. So we've hit a roadblock where we're putting pressure on the existing resources which are finite, especially in Asia where we have small farmers, and that over-intensity of production has a direct impact on climate change."

“We were purely research-oriented, looking at breeding, developing varieties. Now that transformation process has resulted into a product, a seed that has made an impact to a farmer and his family who are highly leveraged. That was really rewarding for me.”

PLANNING FOR THE FUTURE

The third family business representative, **Cynthia Handriani Wijaya** of Indonesian paper and packaging firm Daya Selaras Group (DSG), the focus is on a closed loop that recycles wastepaper into industrial paper rolls, thereby reducing demand for virgin pulp that comes from trees. Business partners can also sell wastepaper back to DSG, which incentivises recycling and a circular loop.

“Of course, we have other significant types of waste,” she elaborates. “We utilise the industrial symbiosis process, which is to use waste from one business as an input for another. The water sludge that is a result of our wastewater treatment in our factories, since we circulate water in all our factory plants, we sell them to a third-party organisation that produces pavement blocks out of them. So, there's a cross sectoral collaboration going on there as well.”

Wijaya, who is Head of Business Development and Investor Relations, is also a third-generation member of the family business. She points to succession planning as a key element to embedding ESG within the business.

“How do we infuse that professionalism into the family's values across different generations? One of the things that we try to have a mindset on in our family business is we try to incorporate more professional standards and performance indicators to allow the company to continue with or without the family because this will eventually create a more lasting legacy and long-term value creation.

“Five to 10 years down the line, who knows what the younger generations will be passionate about? For instance, I have two younger siblings who are seven and nine years apart from me, and I don't know what sort of industries they will enter. Hence, planning for that mindset of long-term continuity for the business with or without the family is imperative, in my opinion.”

Louise Dudley, Portfolio manager at investment firm Federated Hermes, urged companies to measure their ESG performance against frameworks such as TCFD ([Task Force on Climate-related Financial Disclosures](#)) to know exactly where they stand.

“It's great to talk about emissions, reductions and things like that but we also need to see what the total footprint is such that everything's being captured, everything's being measured,” she says. “That helps the internal stakeholders like your employees, maybe your supply chain to also get on board with some of these ambitions. That's certainly what we see from some of our portfolio companies who are really outperforming in some of these metrics, but also continuing to improve.

“The things we're facing in Europe are the new regulations of SFDR (Sustainable Finance Disclosure Regulation) and the EU taxonomy. And we would encourage companies within

Singapore as they look at the Singapore taxonomy...to also think about that type of framework because I think that is going to be absorbed."

John Cheng, Ankesh Shahra, Cynthia Handriani Wijaya and Louise Dudley were panellists at the SMU Business Families Institute (BFI) conference, "Building a Sustainable World – The Role Business Families Can Play" that was held on 16 September 2021. This article is the first of a 2-part article on the conference.

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