

Singapore Management University

## Institutional Knowledge at Singapore Management University

---

Perspectives@SMU

Centre for Management Practice

---

4-2022

### Hop Lion: Successful succession planning

Singapore Management University

Follow this and additional works at: <https://ink.library.smu.edu.sg/pers>



Part of the [Entrepreneurial and Small Business Operations Commons](#)

---

#### Citation

Singapore Management University. Hop Lion: Successful succession planning. (2022).

Available at: <https://ink.library.smu.edu.sg/pers/634>

This Magazine Article is brought to you for free and open access by the Centre for Management Practice at Institutional Knowledge at Singapore Management University. It has been accepted for inclusion in Perspectives@SMU by an authorized administrator of Institutional Knowledge at Singapore Management University. For more information, please email [cherylds@smu.edu.sg](mailto:cherylds@smu.edu.sg).

# Hop Lion: Successful succession planning

29 Apr 2022

*Chen Koon-Yaw wants to spare his son the troubles he endured through a messy handover when his father died. At 61, did he do it too early?*

In a 2019 KPMG family business survey, 53 percent of family business leaders – usually the patriarch – planned to retire between 61 to 70 years old, while 27 percent looked to hand over the reins after 70 years old. On top of that, a staggering 70 percent of current CEOs had no succession plan in place.

**Chen Koon-Yaw** (“Yao), fourth-generation owner of Taiwanese down supplier Hop Lion Feather Works Corporation, is not one of them. In 2015, the then 61-year-old Chairman of the 500-strong company that processes raw down and feather that fills winter coats and pillows stepped down to make way for his eldest son, Chen Yen-chen.

Like many other family businesses, Yao assumed control after his father had died. He wanted to stop history repeating itself, quipping: “The purpose of activating succession earlier is to give my successor more time to hone his skills, rather than waiting for him to learn everything before letting him take over.”

## HARD LESSONS

Yao had witnessed firsthand the fallout of an unplanned handover in 1991 when his dying father handed over the business to his older brother, himself and his cousin. But even before the elder Chen had passed on, Yao’s older brother initiated the division of the family inheritance and foiling the patriarch’s wish of preserving the family business as a unit.

Yao had been in the family business for 14 years at that point, joining in 1977 after national service. Despite a firm understanding of the business that was gained by learning the ropes of at the factory floor, the then 36-year-old was overwhelmed by the magnitude of being in charge. He appointed a professional CEO to run the business, but the resulting excessive debt and product quality control issues nearly killed the company.

The new boss also suffered betrayal when a group of senior managers exited the company, poaching and taking along with them the firm’s major clients, the Japanese customers. Yao and his father had painstakingly cultivated the Japanese market since the 1980s, growing the segment over the years to constitute more than 90 percent of the total customer base. The business development managers whom he had personally groomed snatched them away by undercutting prices by a mere five percent.

Hop Lion survived and prospered, and by 2008 would build several more factories in China. Another employee betrayal, this time a trusted aide of 16 years, forcefully took over control of

the factory in Anhui, China. Hop Lion's loss amounted to more than a few million RMB worth of investments poured in over several years.

## LAYING FOUNDATIONS FOR THE NEXT GENERATION

Yao had not ruled out external succession candidates but, after multiple negative experiences, decided to groom his eldest son, Yen-chen, for the top job. Besides a wealth of industry knowledge to pass on, Yao recruited junior employees (with his son participating in the selection process) and nurtured the young team for his son to lead. The goal was to cultivate them to grow together with Yen-chen, thus avoiding a similar situation to what Yao faced as a young boss with older executives sidelining his opinions.

Yao believed an effective leader would need to embrace innovation for the company to stay competitive. Old-timers in the company recalled Yao's focus on machinery innovation and his obsession with upgrading machinery even before things broke down. That relentless pursuit had led to Hop Lion owning state-of-the-art machines that greatly boosted efficiency and productivity for the factories.

Yao was grateful to his father for not raising objections to his new ideas, which he equated as silent support. Similarly, as he groomed his son for the top seat, he wanted to ensure that his next in line was not deprived of room for manoeuvre, and commented, "Only by giving the next generation enough room to play around can they learn from the experience, and cultivate leadership and crisis management abilities."

In 2015, Yao was ready to hand over the reins. The Hop Lion that Yen-chen inherited had a combined annual output of 7,000 tons of processed down and feathers, and brought in an annual sales revenue of US\$200 million. Business associates and even employees wondered: "How could he give up power so easily? Even if he really handed over to his son, he must be still remotely controlling from behind the scenes."

For someone who had put his heart and soul into his work, leaving behind a front-and-centre role could be understandably difficult. How should Yao deal with the challenge of letting go after being consumed by the family business? At 61, physically fit and energetic, what could he do next?

*This is an adapted version of the SMU Case, "[Succession at Taiwan's Hop Lion Feather Works: Not Leaving It to Chance](https://cmp.smu.edu.sg/case/5346)". To see the full case, please click on the following link: <https://cmp.smu.edu.sg/case/5346>".*