
News release

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Succession Planning & Professionalising the Family Business Key Concerns of Family Businesses in Singapore

In PwC and SCCCI's survey, family businesses indicated attracting and retaining the right talent as a key challenge in succession planning. Family businesses also reflected a need to professionalise the business.

Singapore, 21 January 2016 – With over a third of Singapore's family businesses in their first generation and 54% in the second, they face challenges and have priorities that differ from other corporates. In PwC and SCCCI's new report, *Successful family businesses - generation after generation*, family businesses reflected that attracting and retaining talent was a key challenge they face.

As a result of economic restructuring and growing competitiveness in the business landscape, not only do family businesses need to cope with tougher times ahead, some are experiencing a time of transition from one generation to the next, resulting in increased complexity.

Thomas Chua, President of Singapore Chinese Chamber of Commerce & Industry (SCCCI) said,

“Contrary to common perception that family businesses are old-fashioned, family businesses are in fact open to diversity. On the topic of succession, what the current generation of leaders deem important is that the potential successor must have the commitment and passion to continue the legacy of the family business and to bring it to greater heights.

As Singapore enters the stage of innovation and transformation, family businesses also see the need to professionalise the business in order to remain competitive. While potential successors can introduce professionalism into the family business from their past experiences, many of the family businesses are also open about bringing in non-family professionals and outside expertise to create and add value.”

Passing the Torch – Preparing the next generation

65% of family businesses in Singapore cited attracting talent as the biggest challenge faced, followed by succession planning (54%). This talent challenge impacts the future of family businesses in both areas of ‘management’ and ‘ownership’.

While a third of the survey respondents said that they intend to hand over management of the business to the next generation of the family, family members of the next generation may not be inclined to take over the businesses due to the availability of greater career options and opportunities. Respondents of the survey are thus trying to tackle this issue, with 61% providing internships and 50% allowing diversification into new area in an attempt to interest the next generation.

On the topic of a successor’s attribute, family businesses are not as traditional nor old-fashioned as widely believed. 77.1% of family businesses cited commitment and passion as top attributes that they would like to see in their successors. Having vision for the business ranked second (59%) while age and gender were least important.

Preparing the next generation of successors is also believed to be vital in ensuring a smooth transition into the next phase of family business.

One respondent, Lisa Teo, Executive Director (Corporate Development), Pacific International Lines Pte Ltd, reflected that she was introduced to the business since young, and was well exposed to the machinations of the business. For example, family holidays were often weaved into business trips, and that gave her an opportunity to learn how her father conducted business. This immersion into the family business environment from young has helped her to better understand the business.

Professionalising the family business

As Singapore’s relatively young family businesses reach the limit of growth, more family businesses are expressing their inclination to professionalise the family business. While the overall direction and ownership of the business will still be held by family members, more than half of the respondents (54%) are open to bringing in more non-family talents to professionally manage the business. In fact, the process of professionalisation has already begun, with respondents indicating that their senior executives are increasingly likely to be non-family (81% versus 53% family members).

This puts them in a better position to secure financing, and take advantage of growth opportunities to expand to new markets.

As the mix of family and external talent in family businesses finds its balance over time, dynamics within the family will change and several ‘rules of engagement’ should be in place to manage it. Still, there is not enough being done with only 10% citing a third party mediator to manage disputes while a greater number (44%) attempt to come to a resolution through informal channels.

Ng Siew Quan, Asia Pacific Entrepreneurial and Private Clients Leader, PwC Singapore, concludes:

“We are seeing a clear shift toward greater professionalisation in Singapore’s family businesses. It’s born out of a desire to be able to attract and retain external talent. It also comes from the recognition that it is essential for family businesses to move away from reliance on one individual, or a small group of family members.

There is no ‘right’ answer when it comes to professionalising the family business, but there are several imperatives that remain true across all businesses and all industries: the need to professionalise the business, the need to professionalise the family and, perhaps most important of all, the need to do so while things are in harmony.”

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Notes to editor:

1. For the purpose of this survey, a ‘family business’ is defined as a business where:
 - The majority of votes are held by the person who established or acquired the firm (or their spouses, parents, child, or child’s direct heirs);

- At least one representative of the family is involved in the management or administration of the firm;
 - In the case of a listed company, the person who established or acquired the firm (or their families) possess 25% of the right to vote through their share capital and there is at least one family member on the board of the company.
2. 112 quantitative interviews and six face-to-face interviews were conducted in Singapore from July to September 2015. The turnover of majority of the participating companies was from SGD\$10-50M, across varying industries.

About PwC

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About Singapore Chinese Chamber of Commerce & Industry

Established in 1906, the Singapore Chinese Chamber of Commerce & Industry (SCCCI) is an internationally renowned business chamber and the apex body of the Chinese business community in Singapore. It is the founder of the biennial World Chinese Entrepreneurs Convention and the World Chinese Business Network (www.wcbs.com.sg), a global online business information portal. It plays a key and pro-active role in representing the interests of the local business community. In its continued drive for service excellence, the SCCCI has become the first business chamber in the region that has been awarded ISO 9001:2000 certification since 1995. In 2009, the Chamber successfully upgraded its ISO certification to ISO 9001:2008.

The SCCCI has a membership network comprising over 4,000 corporate members and 153 trade association members, representing over 40,000 companies including large financial and business organizations, multinational corporations, government-linked companies, and small and medium enterprises from a wide spectrum of trades and industries. Together, they provide the business community with vast resources and an influential global Chinese business network for business, culture and education.