

# The three 'theatrical acts' of the family business leader

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LEADERSHIP transitions in family businesses are messy and complex processes that affect the family's social, psychological and economic wellbeing. This process is seldom straightforward, so it is played out over years and even across generations - punctuated with starts, stops and reversals. You would be hard pressed to find a family business in which succession issues are not a major concern, because transitions are one of the main sources of family stress and conflict. All family transitions create change, loss and struggles that seem more suited to Shakespearean dramas than management books.

One reason that family business succession is problematic for leaders is that the succession process focuses on getting the technical business tasks right but often fails to address the family social and emotional tasks. Developing the next generation and selecting the next leaders have strong impacts on the systems. It is not just a business decision. Senior family leaders need a planning model such as the Parallel Planning Process that aligns the family and business for the benefit of both. The Parallel Planning Process addresses the five family business variables of values, vision, strategy, investment and governance. It is culturally sensitive because it is driven by each family's shared values rather than the typical "best practices" model.

Family business leaders frequently see themselves as leaders for life. They want to control all aspects of the family business rather than change their roles based on life cycle, the organisation's needs and family's expectations. Without a clear definition of their own evolving role, each leader's fears, feelings, and dreams often shape how they perform at their job. Family business leaders need the right vocabulary and tools to address the multiple succession transitions in executive, ownership and governance roles that occur in family businesses.

## EVOLVING ROLES

Family business leaders need to recognise how their own egos and motivations influence their thinking and behaviour about succession. They also must appreciate their responsibilities for stewardship of the business and how they can contribute to the family and the business' future success.

In fact, it can be helpful to see family business leadership as having three theatrical "acts". This means developing plans for their own transition from managing the business to supporting the next generation's careers in three ways:

- Act 1. Leading by managing: Building and growing the business.
- Act 2. Leading by coaching: Developing the next generation's leadership capabilities.
- Act 3. Leading by mentoring: Empowering the next generation to lead.
- Epilogue. Leading by advising: Working behind the scenes to support the next generation's success when they ask for your help.

By thinking in terms of three "acts" of leadership, senior leaders and other members of the family system can contribute more effectively to the technical and the human dimensions of succession.

## POWER OF FAMILY BUSINESSES IN ASIA

Family businesses are the backbone of the fast-growing Asian economies. Despite their strong business performance, the families are often dysfunctional and riven with conflict.

Two critical and related succession issues, control and careers, are frequently the source of misunderstanding and stress. Consider the case of the Lotte Group, where a 93-year-old founder fired his son as vice-chairman for "disobeying him" in a conflict over ownership (Campden FB, 2015). Despite not having named a successor, he fired his oldest son, an MBA graduate from Columbia University.

Firing a qualified heir and then anointing a less qualified, younger and "more loyal child" as successor is almost certain to create conflict in the next generation - if not civil war after the parent departs. The results include broken family relationships, costly litigation processes and lost businesses opportunities.

Senior Asian leaders often attempt to manage succession alone because their natural style is to work as a "majority of one" rather than encourage participation and engagement. The Asian culture with its strong focus on harmony also works against collaboration and empowerment of the next generation. The Lotte family is just one example and there are many other Asian business families filling the newspapers with an ongoing series of real-life soap operas. The one thing that we learn from these cases is that they did not engage with the next generation. These families are plagued with conflict because they are trying to achieve a shared future without first working together.

But it doesn't have to be this way.

## AN ASIAN SUCCESS STORY

Take the example of Li & Fung in Hong Kong. It is model of how three generations of leaders in an Asian family firm have used communication and planning as tools for building a successful business and family legacy. Li & Fung's three "acts" of family business leadership show how an Asian family can get it right.

Fung Pak-Liu and Li To-Ming created Li & Fung in 1906 to export jade and porcelain. Over the next 40 years, the traditionally managed firm evolved into a typical Chinese family firm engaged in many businesses. Fung's son Hon-Chu's first act of leadership occurred when China became a communist nation in 1949. He re-established the firm in Hong Kong. He then managed to keep the business alive and in the control of 37 family members who served in overlapping management and ownership roles.

Fung Hon-Chu's second act of leadership was in 1973, when he invited his sons William and Victor to return to the family business after completing their MBA and PhD degrees respectively. After writing a Harvard-style business case study, it was clear that the only course to take was to professionalise management if Li & Fung was to succeed.

The second-generation Fung's final "act" of leadership was to support his sons' strategy of returning Li & Fung to China by developing a trading network to connect China with the West. The strategy and the brothers' leadership combined to create a dynamic family business that eventually enabled the Fung brothers to buy out the family shares.

The Fung brothers have continued their father's leadership legacy of working through three "acts" of leadership. Their first "act" was to regenerate and operate the new Li & Fung and become a global player in product manufacturing and logistics. Their second "act" was to encourage the development of their children (the fourth generation) through education and extensive career development plans within the company. They have set stage for their own "act" three by naming a non-family member CEO to further support their next generation's development and the continued professionalisation of the company.

Our work researching, teaching and advising business families suggests that Asian family businesses can indeed be among the best in the world. While most Asian business families miss the importance of engaging the next generation and making plans for their participation, the Fung family is an example of leading with values and planning rather than personality, power or ego. Victor and William Fung see their next generation as an important part of the family's thinking and are ensuring that their children and non-family executives will strengthen their future leadership team.

## A CALL TO ACTION

The senior generations in Asian family firms have demonstrated a strong leadership role in the first "act" of growing the business but now they need to focus on "acts" two and three. Asian culture dictates that the senior family members will always have a position of respect and this is the senior leader's most powerful tool if he or she uses it wisely.

The challenge for the seniors is accepting that they need to step back gradually from the daily operations and strategy to help the next generation prepare as leaders. Their second leadership act is coaching to develop the next generation's talents and capabilities. The third act is empowering the next generation by helping them to redefine the leader's role to fit their capabilities and the organisation's needs. The best example of an epilogue that lasted for many years is that of Lee Kuan Yew, who had the title of "Minister Mentor" for his role as an adviser to the next generation in government.

We understand this conversation may not come naturally, even to those who recognise the need for it. But we suggest three steps that senior leaders can consider to get started:

- How do you lead a family conversation about the values that have made the family and business successful and the shared vision that will shape the family's planning and decision-making?
- Think about your second and third "acts" as a leader. How can you become a steward who prepares the next generation for the family and business leadership roles?
- Who needs to be in the planning conversations? Successful planning requires the communication and support of the family and only a respected senior leader can call this meeting to start the planning process.

The responsibilities of the seniors are significant but too often they fail to recognise them because founders and senior executives see building the business as their priority. Building the business is their responsibility during the first "act" of their careers, but the real measure of a leader is how the family business fares when they are no longer there. "Acts" two and three are where you really begin to write your leadership legacy.

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