Mass Succession

– *Rashmi Kumar*

Several Asian family businesses are undergoing a generational change in their leadership. These businesses are fast learning the concept of succession planning and its importance for long term sustainability of business. In July 2013, Chu Meng Yee, the head of a billion dollar Chinese real estate company Hopson Development, brought in his daughter as the deputy chairman of the company. The move made family business experts take notice as besides bringing in a woman in leadership position, it involved a generational change. In China more than 80% private business are family owned and according to experts, about 20% of those are going through a generational transfer of leadership.

Chinese family businesses suffer from a peculiar succession problem. *"The challenge in China is that children may not want to inherit the family business,"* says Annie Koh, professor at Singapore Management University. The underlying problem is China's one child policy. According to experts, many Chinese next generation members are sent to international universities for quality education and broadening their outlook. Many of them later loose interest in continuing the family tradition and the business.

In response to this the family patriarchs are allowing private equity investors to join them, in the hope that it would provide them time to persuade the next generation members to join the business. However, even if the next generation family members are willing to join the business, most patriarchs have problems of letting-go. Some like, Ren Zhengfei, founder of Huawei Technologies, find their off-springs incapable of managing the business and opt for professional non-family executives to take the business forward.

Experts opine that compared to traditional Chinese family businesses, those in Hong Kong and Taiwan are more open to new ideas, largely due to western influence. In most Japanese family firms, that have family histories of centuries, one family member sits on the group's board only to motivate others rather than to wield managerial power. That member is often viewed as the symbol of family's values and legacy.

Family businesses in Asia have repeatedly witnessed succession battles. The infamous sibling rivalry among India's billionaire brothers Anil and Mukesh Ambani after their father's demise is a case of failure to plan the future of family business. Another tragic succession war that India saw was among the Chadha brothers of the conglomerate Wave group. The two brothers were killed in a shootout that happened because of high tempers over dispute on ownership of family assets and lack of clear succession plan.

Some other Indian family businesses have learnt lessons and taken timely actions to prevent succession related problems. The Indian healthcare group, Apollo Hospitals, controlled by

Prathap C. Reddy and family, has established a family council that has planned succession. Three generations are working in the business and the founder Prathap C. Reddy continues to be the group's chairman.

"Succession planning is still a challenge in India," says Kavil Ramachandran, Thomas Schmidheiny Chair Professor of Family Business and Wealth Management at the Indian School of Business. *"But the planning is becoming more streamlined now. There is a greater level of awareness about possibilities, especially possibilities without splitting the business. There is a more conducive environment so families are using proactive thinking and approach rather than reactive."*

Though many Asian family businesses have adopted several ideas from the developed economies of the west, experts believe that there is great learning in what is happening in these businesses in Asia. They opine that Asian family businesses have evolved the capability to integrate core family/cultural values and traditional knowledge with modern management practices and other external factors. They are quickly adapting to doing this inspite of several challenges.

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