

# Family Business - Passing Down The Baton: Unable To Let Go

May 2020

Generational transition is often characterised as one of the challenges faced by family businesses especially in Asia where we are mostly experiencing the first or second generation transition. In many family businesses, the patriarch or matriarch understands the need to outline a robust succession plan to govern the next selection of leader. Often in reality, we have seen many family businesses with vague and uncommunicated succession plan.



## YOUR BDO CONTACTS

### ROGER LOO

Executive Director  
Management Consulting Services  
rogerloo@bdo.com.sg  
+65 6829 9604 | +65 8157 5587

### JOSEPHINE TAM

Associate Director  
Management Consulting Services  
josephinetam@bdo.com.sg  
+65 6829 9603 | +65 8322 7095

## BDO CONSULTANTS PTE LTD

600 North Bridge Road  
#23-01 Parkview Square  
Singapore 188778  
Tel: +65 6828 9118  
Fax: +65 6828 9111

[www.bdo.com.sg](http://www.bdo.com.sg)

## The Four L Concept

In our area of work, we often advise our clients on the Four Ls' framework to navigate the succession journey:



- a. Learn about business : first, we often encourage the rising generation to learn about business in general, before jumping straight into the family business
- b. Learn about your family business : in this quadrant, we learn about the value and philosophy of our family business and we strive to continue the longevity of the business by doing things differently
- c. Learn to lead : coupled with the second quadrant, we are in the leadership role to lead our family business
- d. Learn to let go : this is perhaps the trickiest quadrant in this whole framework and we will examine further in this article

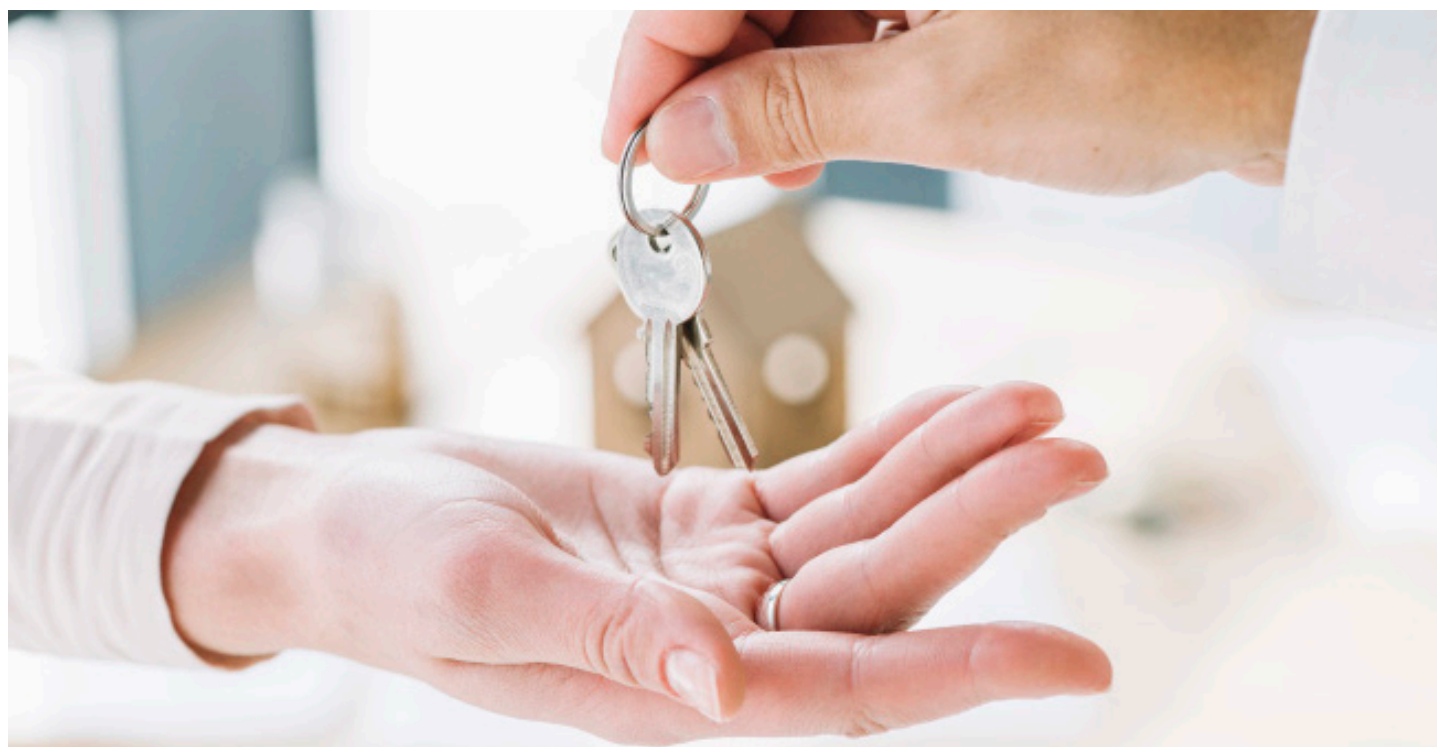
To master the first three Ls' is hard but it is not impossible with the right education, work experience, managerial skillsets, and leadership qualities. We have observed that the last L on learning to let go, seems to be a daunting task to many first generation leaders. It takes courage to acknowledge and accept the fact that he or she is to relinquish control of the family business which one has dedicatedly built over the last decades.

## Learning to Let Go Challenges : Conflicting Emotions

It is not uncommon for founders from the founding generation to find it difficult to let go, after all, they have spent years of hard work, dedication, risk and passion to build the business, it is often viewed as an extension of themselves. Oftentimes, the thoughts of 'what will I do without the business?' or "how will the business perform without me running it?" are in the mind of these founders that deter them from addressing the topic of succession planning and many a time creates conflicts between the founding generation and rising generation.

In many instances, founders have repeatedly made promises to retire and invited the next generation leader to take over the helm of the family business. Both generations have good intention to seek for external professional assistance to put in place a corporate governance framework and structure as part of its path to professionalise the family business and to ease generational transition issues. However, it is not surprising to find that founder has great difficulty in giving up his power and delegating authority to the next generation leader. Undoubtedly, founders make conscious effort to try to hand over the business to the next generation leader, but subconsciously they continue to yearn for power and strive to demonstrate his competency by trying to achieve another milestone with the company. These conflicting emotions have not only put a strain in father and son or daughter relationship, it also sows the seeds to the downfall of a long-standing family business. As the rising generation come into the business, they are eager to prove themselves in doing things differently, bringing onboard innovative ideas and changes to the organisation and striving to generate profits. But they are constantly challenged and frustrated by the founder's intrusion and lack of confidence in them to have the freedom in running the business.

## Learning to Let Go Challenges : Traditional Attitudes



Founder has to understand that succession planning takes years and not months. They have to carefully plan and educate the next generation to ensure the next generation has a clear sense of purpose to eventually be ready to take over the family business and ensure the longevity of the business and wealth preservation.

More often than not, in the context of Asian family businesses, we tend not to discuss about succession plan as it may be considered as taboo or inauspicious, especially while the patriarch is still alive. The lack of communication between the founding generation and rising generation on topics such as succession versus responsibilities and expectation, future directions of the family business versus future generations' aspirations, scenario planning and ways to deal with these difficult situations, are often not discussed but assumed.

In our experience, we have seen cases where rising generation will eventually assume the role to take over the family business out of traditional attitudes towards family loyalty and filial duty, who may not have the necessary skillsets and commercial acumen in running the business. This way, we have disregarded the next generation's individual personal aspirations and the opportunity to pursue their career.

## Conclusion

It is no doubt that creating a family business that surpasses generations is never an easy task, coupled with the ever changing business climate, market condition, digital business transformation etc., make it even more challenging to effectively transit to the next generation. It is of paramount importance to educate the next generation to equip them with the right skills and knowledge and creating a roadmap for succession. This may increase the chance of family business to continue to propel for generations to come.

## References:

1. Family Business Transitions: Rising to the Challenge, by Claudia Sangster (<https://www.northerntrust.com/united-states/insights-research/2019/wealth-management/wpi-family-business-transactions>)
2. Conflicts That Plague Family Businesses, by Harry Levinson (<https://hbr.org/1971/03/conflicts-that-plague-family-businesses>)
3. When culture matters: succession challenges for Asian business families, by Tam Chee Chong and Cathy Chow (<https://blogs.deloitte.co.uk/deloitte-private/2017/04/when-culture-matters-succession-challenges-for-asian-business-families.html>)
4. Taking over the helm, by Business Times (<https://www.businesstimes.com.sg/magazines/wealth-august-2018/taking-over-the-helm>)

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO Consultants Pte Ltd to discuss these matters in the context of your particular circumstances. BDO Consultants Pte Ltd, its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication, and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO Consultants Pte Ltd or any of its partners, employees or agents.

BDO Consultants Pte Ltd (UEN: 199806356D), a private limited company registered in Singapore, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

©2020 BDO Consultants Pte Ltd. All rights reserved.

[www.bdo.com.sg](http://www.bdo.com.sg)

#### CONNECT WITH US.

Like us, follow us, engage us through our social media channels:

