

For Asian family businesses seeking to make strategic changes, it is crucial to integrate new talent

Expanding expertise is key to success

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In the management of Asian family businesses, owners often rely on trusted professionals to handle the day-to-day operations. These loyal lieutenants spend years working with the owners, becoming intimately familiar with both the businesses and the values of the owners.

This has many advantages: A clear family leader with an army of experienced non-family executives is an efficient way to run a business. Long tenures also build consistency and deep experience, as well as closely knit teams that can move fast. In this context, most loyal lieutenants become excellent managers.

There is, however, also an argument that this model can be a bar to attracting the most capable outside talent. Since decision-making is often in the hands of family members, even the best managers can face career limits.

Of course, much can depend on the context of the business in question. Stable businesses that are not especially complex or technologically advanced can find that management by experienced, loyal lieutenants works well for their needs.

One drawback of relying too much on a few loyal lieutenants comes from the limitations it poses on growth, especially growth that brings new levels of

complexity. For example, family businesses that expand overseas or enter industries requiring more advanced technology or coordination, can often find themselves losing their way. This is because trusted insiders possess only the same experience as the owners, having served them for so long.

Despite a general lack of familiarity with the new initiatives, the inclination is usually to leave decision-making and execution in the hands of insiders.

This means top management spending considerable time and effort catching up, irrespective of whether they have the capacity to adapt themselves to the new ways of doing things.

In situations where owners embark on an ambitious strategic transformation, taking the businesses into new territory, top management is immediately stretched, posing a serious challenge to achieving stable growth.

The talent shortage is often most pressing at headquarters. In my research, I always find it remarkable how lean Asian family businesses are at the top, with little expertise or spare talent to work on new things. When an unusual opportunity or crisis arises, or a major strategic change, everyone is pulled in to help, including an array of ad hoc external advisers.

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Bringing experienced outsiders into the business would avoid this costly learning curve, yet family businesses often find it hard to integrate new talent.

This is not because owners do not appreciate it, but because the family business is rarely the right environment for outsiders to succeed. A business that works well with a closely knit, lean and agile owner-led team rarely features clear key performance indicators, detailed strategic plans, board charters or other procedures common in multinationals.

Without clear expectations or resources to support top management, this means it is hard for outsiders to perform.

Ultimately, most external hires last no more than a year or two. There is no labour market for “loyal lieutenants” – one can only groom them over many years. So what is the solution?

Based on observations of some highly successful Asian family businesses, here are some internal practices that can help expand expertise:

BROADEN THE TOP

Great family business patriarchs will regularly send their top layer of management for outside training and exposure to other ways of working, despite them being stretched running a range of businesses.

MOVE THE MIDDLE

Thanks to the ample opportunities provided by owners, motivated mid-career professionals in family businesses often find their career path is faster than in global companies. Middle management is a flexible and trusted resource that can be promoted to new challenges on their own, instead of under the tutelage of more senior loyal staff.

STRENGTHEN THE BASE

Building more slack at lower layers allows family businesses to scale up faster at a lower cost. For this reason, great family business leaders are constantly scouting for entry-level talent irrespective of job openings.

New, young talent provides ad hoc top management support and a testing ground for talented, future loyal lieutenants.

CHANGE YOURSELF

Any great ambition must come with a willingness to improve oneself. Similarly, to access a greater pool of good non-family management, owners must create better organisations. Leading change by example is an essential attitude for family owners who seek to move from successful to extraordinary.

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