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## Transforming Family Businesses: Ensuring your Legacy is built to Last

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- *Three out of four family businesses in Singapore are either planning to expand globally or have already embarked on this journey.*
- *While 86.2% of family businesses plan to keep pace with digital technology, more than a third have yet to map out a strategic approach.*

**Singapore, 25 May 2018** – In a joint study by Singapore Chinese Chamber of Commerce & Industry (SCCCI), PwC and UBS, close to 120 family businesses in Singapore were surveyed to find out how they are dealing with transformation amidst the rapidly changing business environment today. The report, titled '[Transforming family businesses](#)' found that while business transformation was previously seen as a way to develop a competitive edge, it has now become vital for family firms to future-enable their business.

While the changing landscape still brings many challenges, it also presents many opportunities for progressive businesses that are willing to ride the wave of change. However, while many family businesses are aware of the need to transform their business, they are still facing key challenges in taking the business beyond the domestic market, embracing the digital economy, professionalising the business and roping in the next generation.

### ***Going Global***

Expansion to new growth markets was ranked as one of the top three plans for family businesses looking to grow over the next year and over 70% of family businesses polled are either planning to venture abroad or have

already begun to establish their presence internationally.

This is unsurprising with Singapore's limited market size, as businesses recognise the need to look beyond local shores for new markets, customers and revenue streams to remain competitive. However, navigating foreign markets can be complex and the top few challenges faced by family businesses surveyed include unfamiliarity with local rules and regulations (20.8%), identifying the right business partner (18.3%) and acquiring the right talent to develop the overseas markets (16.1%).

In this respect, family businesses can consider turning to their personal or business networks, or even linking up with bigger players with proven track records to leverage their network.

### ***Riding the Digital Wave***

In this age of digital disruption, family businesses have been pushed to re-examine their philosophies, business models, processes and systems through a new lens or risk being blindsided by other game changers.

While 86.2% of family businesses polled plan to participate in the digital economy, more than a third are still yet to have any concrete plans (34.7%). Of the families surveyed, 36.2% cited finding a way to transform the business through technology as their top challenge. This is followed by the financial costs of digital transformation at 28.7% and competitors with first-mover advantages at 26.1%.

However, digital transformation and innovation also presents many business opportunities. Mr Roland Ng, President of the Singapore Chinese Chamber of Commerce & Industry shares:

“Family business is a subject close to the heart of SCCCI. Chamber wants to promote the smooth succession in our family firms, at a time when many of their businesses are facing disruption. To improve their competitiveness in this digital economy, family firms need to transform themselves by developing innovative capabilities, leveraging on digitalisation and venturing overseas to capture a bigger market. Those that are prepared to evolve, innovate and reinvent themselves will be the ones that achieve long-term

prosperity in the business.”

### ***Professionalising the business***

For family businesses, an important element of business transformation includes running the business more professionally. This essentially means transforming the business to ensure that it is always “fit for sale” by instituting processes and strategies to enhance the value and attractiveness of the business, even if there is no actual intention to sell.

Building this mindset would allow the business to get their internal conditions right to drive performance and deliver value to all stakeholders and customers. From this perspective, family businesses should also identify areas to plug the skills gap and consider if there are other people to run the business in the absence of family members. Hiring external talent could also bring non-family objectivity to the company, although their main concerns are in attracting new blood (44.4%), restrictions on hiring foreign talent (32.8%) and to retain talent (29.1%).

Mr Ng Siew Quan, Asia Pacific Entrepreneurial and Private Business Leader, Pwc Singapore comments:

“A family business that is ready for sale is well set for the next leap. Even with no intention to sell, being in a state of preparedness frees family business owners from daily operations to focus on more strategic work such as considerations around macro environment factors and mid to long term plans for succession.”

### ***Passing the torch***

Besides the support of the current generation, of equal importance is the support from non-family professionals who are working hand-in-hand with the next generation to drive successful transformation. Usually more educated, more digital-savvy and with a global outlook, next gens are well-positioned to lead the charge in the digital era.

However, family business owners should also not rule out letting the most capable person rule the business, even if this is an external professional.

55.4% of family businesses polled placed leadership as the most important attribute next gens should have to take over the business, followed by financial management (52.4%) and emotional intelligence (50.3%). Finally, parents can also consider letting next gens establish greater credibility by developing a career and specific skillsets outside of the family firm before bringing their expertise back to the family business.

Mr Eddie Gan, Singapore Market Head, UBS Global Wealth Management said:

“Generational transfer of wealth and succession planning are important twin issues that family businesses have to deal with. Today’s next gen have a suite of options at their disposal. They can take over the family business, blaze their own trail by becoming entrepreneurs, engage in philanthropy by running family foundations, or become a steward by becoming an owner rather than a manager of the company. The formation of a family office can help to manage key family assets and preserve the wealth in the family.”

Family businesses stand at an important junction today. The future of family businesses will rest on how well they can collaborate with the next gens to harness the benefits of the digital and global age to thrive in the marketplace and protect their legacy.

***Ends***

**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.

2.115 qualitative interviews and seven face-to-face interviews were conducted in Singapore from May to July 2017

3. Read the full report [here](#)

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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 organisation 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.wcbn.com.sg](http://www.wcbn.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 to be awarded ISO 9001 certification since 1995. In 2009, the Chamber successfully upgraded its ISO certification to ISO 9001:2008.

The SCCCI has a membership network comprising some 5,000 corporate members and has more than 160 trade association members, representing over 40,000 companies including large financial and business organisations, multinational corporations, government-linked companies, and small and medium enterprises from a wide spectrum of trades and industries. These members together provide vast resources and opportunities which enable the

SCCCI to develop an influential global Chinese business network for business, education, culture and community development. In return, they share a strong sense of pride and identity together and benefit immensely from the SCCCI's membership services, facilities and activities.

## About UBS

UBS provides financial advice and solutions to wealthy, institutional and corporate clients worldwide, as well as private clients in Switzerland. UBS' strategy is centered on our leading global wealth management business and our premier universal bank in Switzerland, enhanced by Asset Management and the Investment Bank. The bank focuses on businesses that have a strong competitive position in their targeted markets, are capital efficient, and have an attractive long-term structural growth or profitability outlook.

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