



Developing the Next Generation of Leaders for Asian Family Businesses

Professor Randel Carlock

Berghmans Lhoist Chaired Professor in Entrepreneurial Leadership
Director of the Wendel International Centre for Family Enterprises

Developing capable leaders and owners is one of the most challenging tasks for any organisation and even more difficult for a family business because it faces additional complexities from business and family systems, multiple generations within the business, and increasing demands as the business and family grow and mature.

And, next generation family members face obstacles as well. First, they need to perform at a high level - Next generation family members must demonstrate leadership and perform as well as any un-related employee to avoid causing resentment and eroding respect for family management. Second, they must earn the respect and trust of their parents, who are often amongst their toughest critics. Third, the next generation must manage change effectively so that others, especially the older generation, do not view the change as an indictment of their predecessors. While these three obstacles remain challenging for any next generation family member, they can be particularly difficult for next generation members of an Asian family business.



Randel Carlock

If they're honest, most family business leaders - Asian and otherwise - will tell you that their greatest fear is that their children will not be prepared for the leadership responsibilities that a successful family enterprise demands. Yet, the challenges that both current family leaders and the next generation face are not insurmountable.

Professor Randel Carlock recently hosted a breakfast seminar at INSEAD in Singapore to discuss how family businesses could successfully develop the next generation of leaders and owners.

New Blueprint for Managing Global Business

In the 21st century, the rules for managing global business have changed dramatically. While managers once made most of the decisions, controlled information flow, and demanded performance from their people, today's managers must push decision-making downward, share information with their people, and get the job done through a combination of networks and nurture.

Professor Carlock has identified four key management skill sets for the new millennia:

Entrepreneurial skills:

- Identify and share your business vision
- Communicate your vision and goals
- Develop new products, services, relationships, organisations, and channels.

Executive skills:

- Manage complex relationships between the organisation and its network of stakeholders
- Install control and information systems
- Continuously plan, solve problems, and make decisions in real time.

Strategy skills:

- Craft strategic plans
- Secure and allocate resources
- Assess results and reward performance
- Strengthen governance and ensure accountability.

Leadership skills:

- Align and empower people around their shared values and vision
- Rigorously manage intellectual and human capital
- Encourage a culture of risk taking, innovation, and social responsibility
- Develop people throughout the organisation.

**“Look at the whole range of capabilities in the next generation; identify your children’s strengths and weaknesses; and use the strengths to help the company as well as the next generation perform successfully.”
- Professor Carlock**

Professor Carlock says, “*Businesses will need all four skill sets to prosper in the 21st century.*” He notes that the leadership skill set, in particular, is crucial to developing next generation talent. At the same time, applying this skill set is challenging for any business let alone family businesses.

So which companies are successfully developing the next generation? Although not a family-owned business, General Electric develops its top talent by grooming employees over many years. Former CEO Jack Welch developed a pool of five world-class executives from which the board of directors could choose a successor. On developing human talent, Welch says, “*Think of yourself as a gardener, with a watering can in one hand and a can of fertilizer in the other. Occasionally you have to pull some weeds, but most of the time, you just nurture and tend. Then watch everything bloom.*”

Like GE, Cargill, a family-owned, global commodities business, successfully cultivates its next generation leaders by treating the family as a business and the business as family. For example, Cargill develops people with the goal that they will work at the company for twenty or thirty years. In addition, the company demonstrates its commitment to employees by sharing ownership through an employee stock trust.

Critical Factors for Developing Next Generation Talent

In addition to following the blueprint for managing global business, Asian family businesses can do several things to prepare the next generation.

First, ensure that the next generation family member has a personal fit with the business in terms of ability and motivation. Professor Carlock says, “*Fit is key - Not everyone is meant to own and/or run a family business.*” If your son has the desire and talent to become an entrepreneur, let him pursue his dream and start a new venture.

Second, provide the next generation with the best possible education. This not only includes undergraduate studies and graduate education such as an MBA or other executive education programmes but also in-house or industry training. Give the next generation a solid foundation upon which to build themselves.

Third, provide professional experiences to develop and enhance the talents and capabilities of the next generation. This includes internships and work outside the family firm early in the career, and later challenging work assignments within the firm. Once a family member has joined the business, assign him or her a job with high developmental potential. Such a role may include P&L responsibility, a tough boss, or a “turnaround” of an adverse business situation.

Fourth, nurture and coach the next generation. By providing next generation family members with such things as peer and professional networks, mentoring and coaching, your encouragement, and family recognition, the family business creates leaders who can successfully take over the reigns of the company.

Also, Professor Carlock notes that assessment and feedback are crucial, but also challenging: *"It's difficult for a company to give feedback, in Asia and everywhere."* While it is often hard to assess family members, it's important that they receive concrete feedback, developmental plans, and when successful, recognition of their efforts so that they may become more aware of their strengths and weaknesses.

Finally the yardstick by which the next generation members are measured can be a long one, especially for members of an Asian family business. For example, many Asian family businesses were created by smart, charismatic entrepreneurs who spent years building their companies. This older generation looks at the next generation, often with unrealistic expectations. About the older generations' expectations, Carlock asks, *"Superman is a great cartoon character, but is it a realistic tool of assessment to evaluate your successor?"*

Best Processes, Not Best Practices

It's important to remember that each Asian family business is unique; therefore, to successfully develop the next generation, a family business needs to think about best processes, not best practices. Specifically, think about context and content. Concerning context, ask, *"Who is our family culturally?"* and *"Where is the family located?"* The answers are crucial to understanding the family's needs.

Concerning content, ask, *"Exactly how does the family do things?"* Knowing the family's approach will help all family members understand themselves and the business better as well as make necessary changes to ensure a successful transition to the next generation. Professor Carlock has the following advice for family businesses: *"Look at the whole range of capabilities in the next generation; identify your children's strengths and weaknesses; and use the strengths to help the company as well as the next generation perform successfully."*

In Asia because of the strong family business culture, a critical success factor remains: *"What is your family doing to prepare the next generation of leaders?"*

written by Jenifer Raver

Professor Randel Carlock is the first Berghmans Lhoist Chaired Professor in Entrepreneurial Leadership at INSEAD, founding Director of the Wendel International Centre for Family Enterprises, and Director of **The Family Enterprise Challenge** executive programme (France and Singapore).

Professor Carlock is author of several articles, books, and case studies and co-author with John L. Ward of the book, *Strategic Planning for the Family Business*. A co-authored paper received the 2006 Family Business network Research Award for the best-published research article on family business practices: *"Fair Process: Striving for Justice in Family Firms"* with L. Van der Heyden and C. Blondel. *Family Business Review*, XVIII, (1), March 2005.

Prior to pursuing an academic career, Professor Carlock spent twenty-five years in business serving first as an executive with Dayton-Hudson (now known as Target Corporation) and as a CEO and Chairman of a NASDAQ listed corporation he founded. He serves as a consultant and advisor to several of the world's largest family businesses.

The Family Enterprise Challenge (FAME)

5 - 8 February 2007, Singapore

www.insead.edu/executives/fame.cfm

FAME addresses the unique strengths and dynamics of family-owned businesses. It helps management and family teams confront the specific challenges, and gives them strategies to better balance family and business demands and expectations. The programme includes an overview of the latest thinking and best practices on a wide range of family enterprise topics including family dynamics, family and business planning, governance, communication, succession planning and conflict.

For further information please contact:

Jaclyn Mah

INSEAD - Executive Education

T: +65 6799 5288

F: +65 6799 5299

E: execed.asia@insead.edu

www.insead.edu/executives