

# Developing new leaders of Asian family businesses

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Developing capable leaders and owners is one of the most challenging tasks for any organization 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 unrelated 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 among 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.

If they're honest, most family business leaders — Asian



Courtesy of INSEAD

RANDEL CARLOCK

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.

A breakfast seminar was recently held 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, con-

trolled 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.

Prof. Randel Carlock, leading expert in entrepreneurial leadership, 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, organizations, and channels.

### Executive skills:

- Manage complex relationships between the organization 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 organization.

Carlock says, "business 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



JP/Arief Suhardiman

**WELCOME ALL:** President Susilo Bambang Yudhoyono, accompanied by Vice President Jusuf Kalla (right), greets a delegation of businesspeople and unionists at the State Palace in Jakarta. The President invited both groups to the palace to discuss the controversial Labor Law No. 13/2003.

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 20 or 30 years. In addition, the company demonstrates its commitment to employees by sharing ownership through an employee stock trust.

What are 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. Prof. 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 programs but also in-house or industry training. Give the next genera-

tion 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.

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

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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 "turn-around" 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, Carlock notes that assessment and feedback

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.

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?"

Jenifer Raver is a writer at INSEAD.

## IN THE WORKS

### Gates, Hewlett commit \$60m to education

Two of the largest U.S. private foundations are teaming up on a \$60 million effort to improve education in sub-Saharan Africa and South Asia.

The project announced today marks a new venture for the Bill & Melinda Gates Foundation and the William and Flora Hewlett Foundation, which until now have focused their school-reform giving in the U.S. Gates is the world's largest philanthropic organization by assets, and Hewlett was the seventh-largest U.S. foundation as of February 2005.

The Hewlett Foundation is leading the initiative, which will fund research and demonstration projects to determine how teacher training, curriculum reforms, community involvement and other steps can make schools more effective for children in developing countries.

"The poor children in these countries are in school, they're getting in the door, but they're learning little," Lynn Murphy, a senior fellow at the Hewlett Foundation, said last week in an interview. The three-year project will determine "what works to get children learning," she said.

The Gates Foundation will contribute US\$40 million over three years to the Hewlett Foundation for the project. Hewlett will donate at least \$20 million. — *Bloomberg*

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— Editor