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CONTINUING A GENERATIONAL FAMILY BUSINESS

October 22, 2021



Building a Home for the Future



Source: Saujana Lapangan Jaya, <https://www.kintasaujana.com.my/project/saujana-lapangan-jaya/>

SG-FECC

Our Blueprint



Executive Summary



Introduction: “Resilience”



Recommendations: “Three E’s”



Analyses: Family, Business, Governance



Possible Risks, Managed



Alternatives: “Key Options”



Strategies and Implementation



Conclusion and Discussion

Executive Summary



Goal: To build family and business, and ensure a positive, vibrant future for both



Challenges

- Provide for the family in future
- Keep the business successful
- Entrust to the next generation



Analyses

- Family dynamics
- Business complexities
- Governance models



Solutions

- **Engage** your family
- **Establish** a succession plan
- **Evolve** the KS governance



Kinta Saujana: a study in resilience

- ❖ **KS** is a Malaysian family-owned property development company, founded by three brothers 30 years ago – and has grown through adversity by relying on family.
- ❖ **The vision** is to build homes for Malaysians – because housing is one of the four most important things in life.
- ❖ **CEO Adrian**, the eldest brother, is looking to further involve the next generation in the business, specifically his three children.



Milestone: 1997

Proved resiliency by surviving financial crisis.



Milestone: 2016

Faced with bankruptcy, KS survives but family is impacted by the strain.



Milestone: 1991

Adrian established Kinta Saujana Sdn Bhd.



Milestone: 2009

Overcome the challenge of the Global Financial Crisis.



Milestone: 2016

Adrian's son Marco joins KS, and after some difficulty, finds his way.

A Climb To Succession



Succession Plan

**Next gen desires
and expectations**

Unstated succession
preferences / plans

**External
pressures**

**Family
dynamics**

Communication style /
social distance from family

**Day to day business
operations**

Desire/pressure to provide
for the extended family

**Root
causes**

Leadership style / decision
making processes

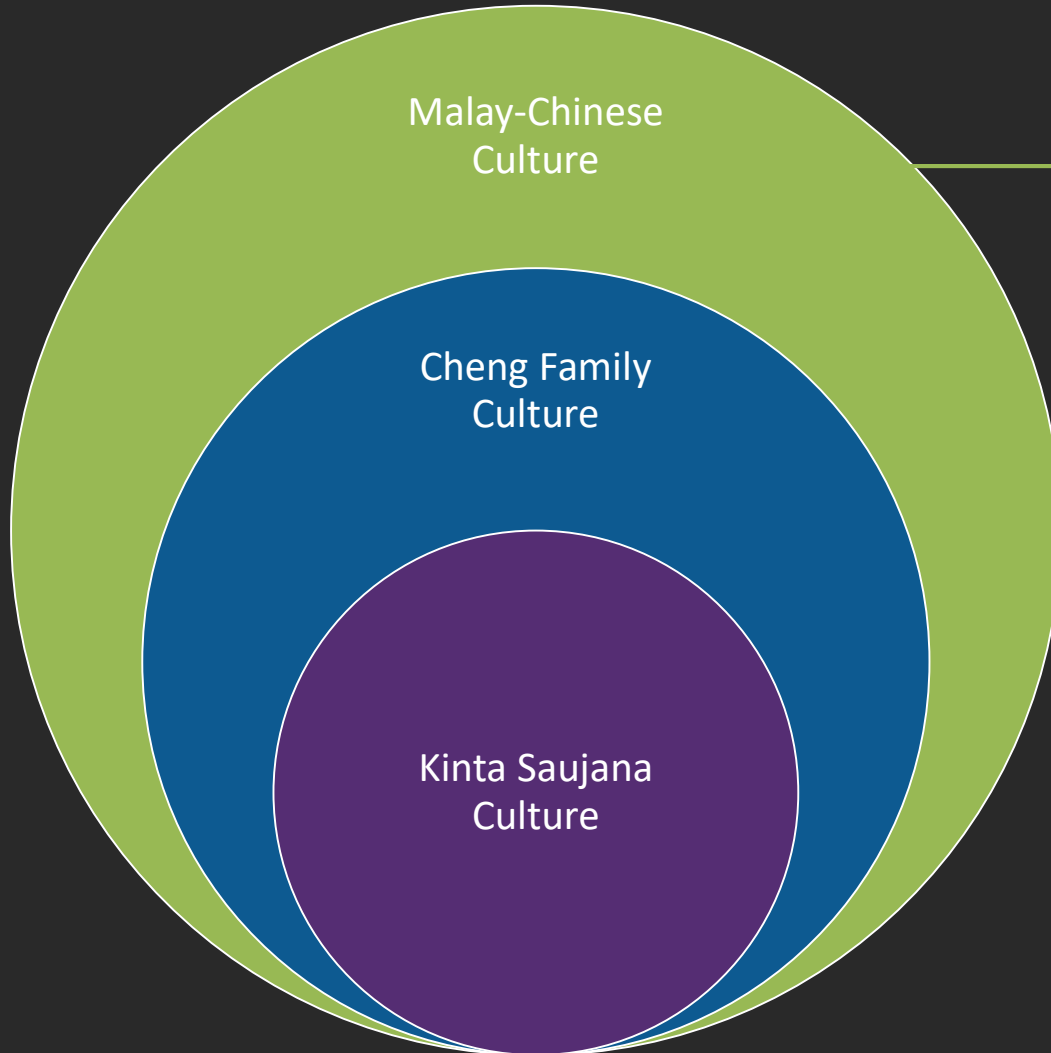
Only **4%** of
family-owned
businesses
endure to the 4th
generation [\[1\]](#)

Why?

**Lack of proper
succession
planning**

Cultural Analysis

Structured, supportive culture with strong ties



7



Malay-Chinese Culture

- Values stem from Budi/Confucianism which:

1. emphasize that **we are dialectically related to others** through **family**, neighborhood...
2. knowing is a construct of **both facts and feelings**.
3. **time is subjective**.

Storz, M. L. (1999).

- Factors influencing relationships:

1. **Age and Seniority:** Senior members of a family command a lot of respect.
2. **Power and authority:** The eldest brother assumes responsibility as head of the family after the father.
3. **Gender:** Males are regarded as the breadwinners.
4. **Collateral distance:** Grand parents, Parents, Siblings, Uncles and Cousins are considered '**Close Relatives**'
5. **Marriage:** Considered shameful for a man to live under his wife's control. But the wife usually handles financial matters.
6. **Residential patterns:** Physical distance detaches from family circles.
7. **Family obligations:** Decisions on important matters are often made collectively within the family.

(Harun, Y. (2017).

Market Analysis

Malaysia's housing market is expected to rebound



Volume: 11.1% ↑
Value: 26.1% ↑

Demand

The market cooled due to oversupply. But it is showing signs of improvement in 2021.

Rebound from 5.6% decline in 2020



Economic Growth

Despite economic decline in 2020, the economy is expected to grow post 2021.



40.9% ↑ Y-o-Y in Q1 2021

Construction Activity

Construction activity is improving as of Q1 2021 following an 18.6% fall during 2020.

4% Stamp Duty
5% (RPGT)



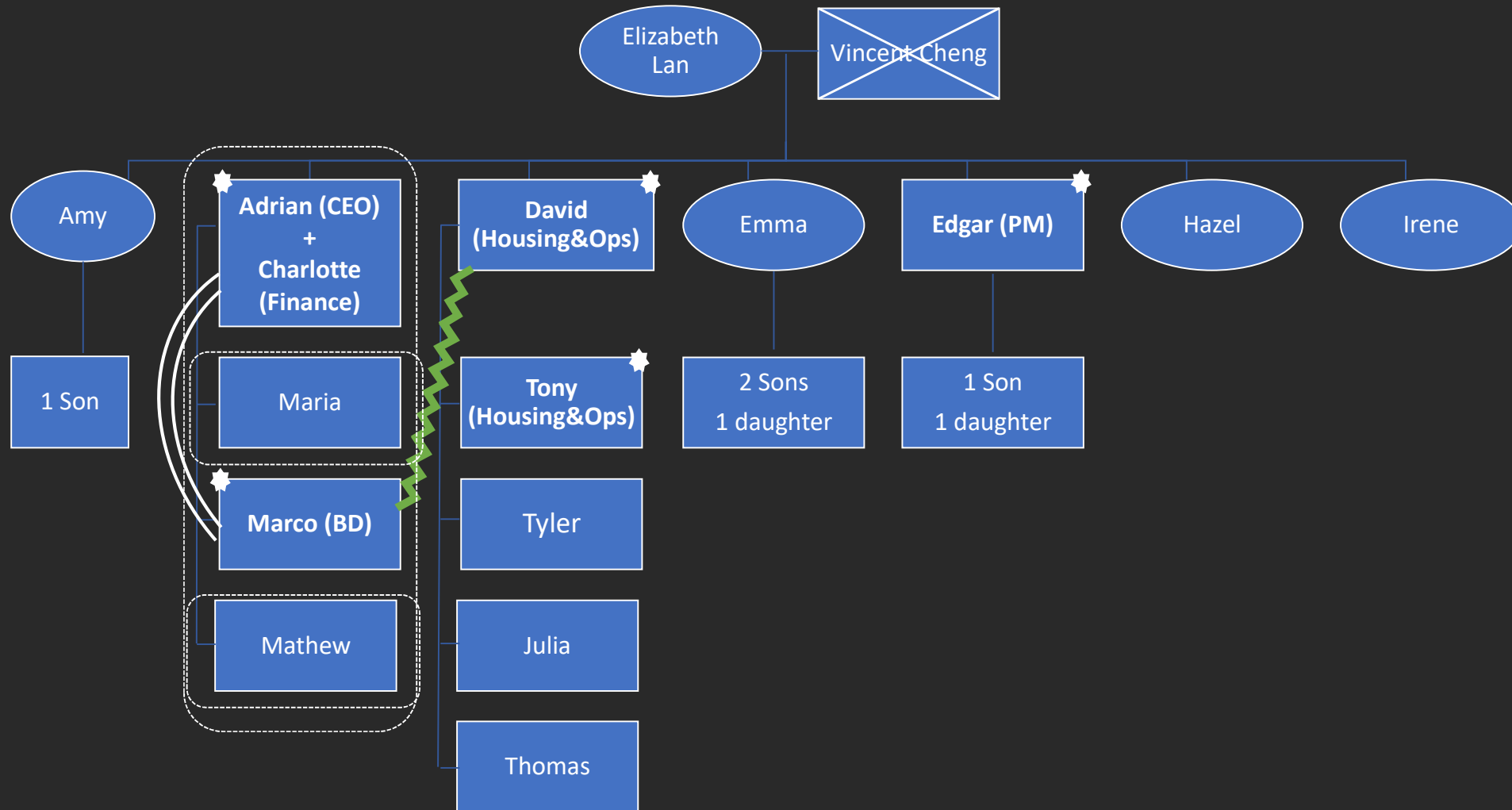
Government Regulations

Multiple measures have been introduced to limit speculation and discourage over-building.

Family Dynamics: Genogram



Emotional barriers deterring the next generation from continuing the legacy



- Founding Generation
Siblings

- Second Generation
Cousins

Legend:

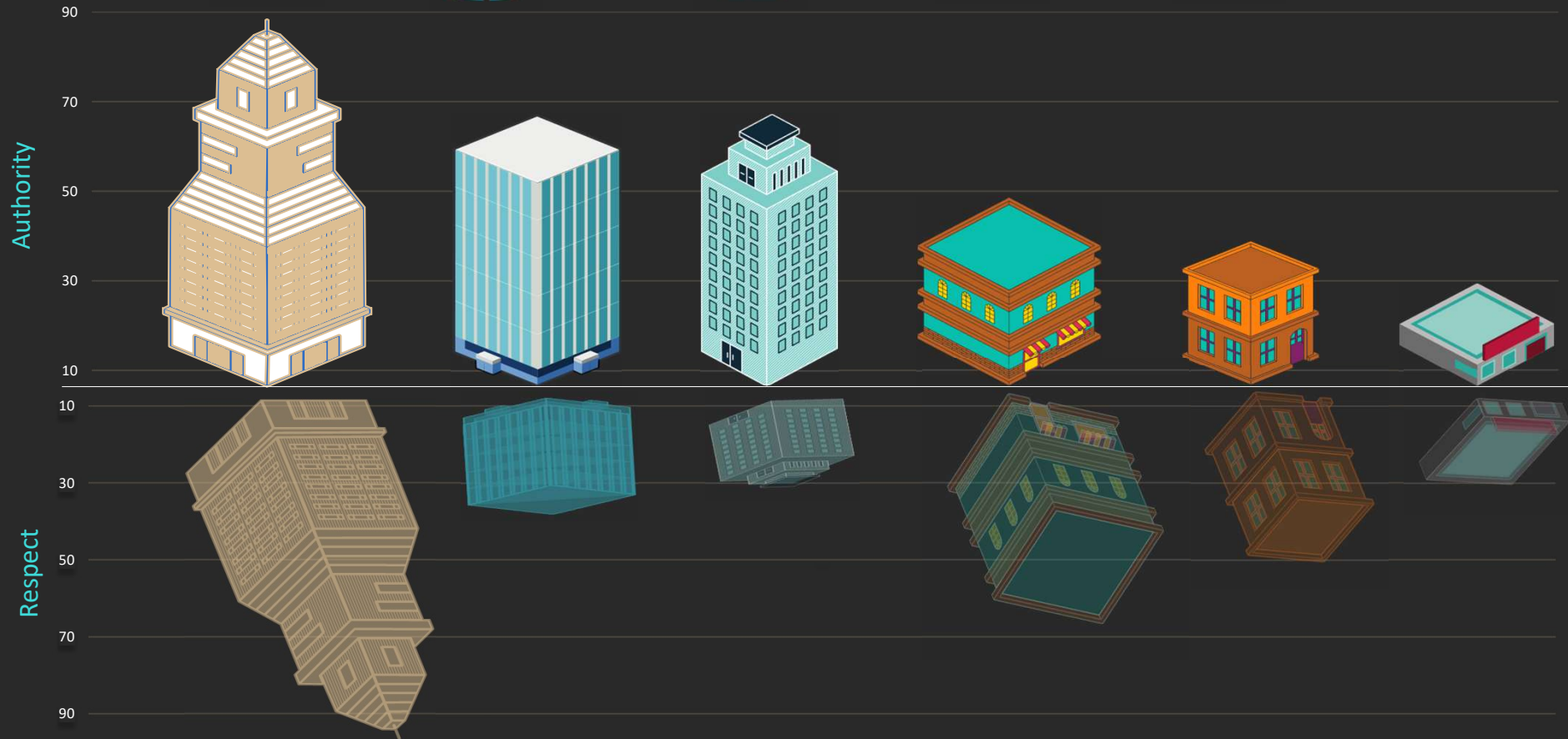
- Male
- Female
- × Deceased
- Emotionally barriers
- ==== Close relationships
- ⚡ Previous conflicts
- ★ Hold position in the company

Family Dynamics: Power



Minimizing resistance by developing future leaders within the next generation

Adrian Charlotte Marco David Edgar Tony



Power within the company

Power within the family

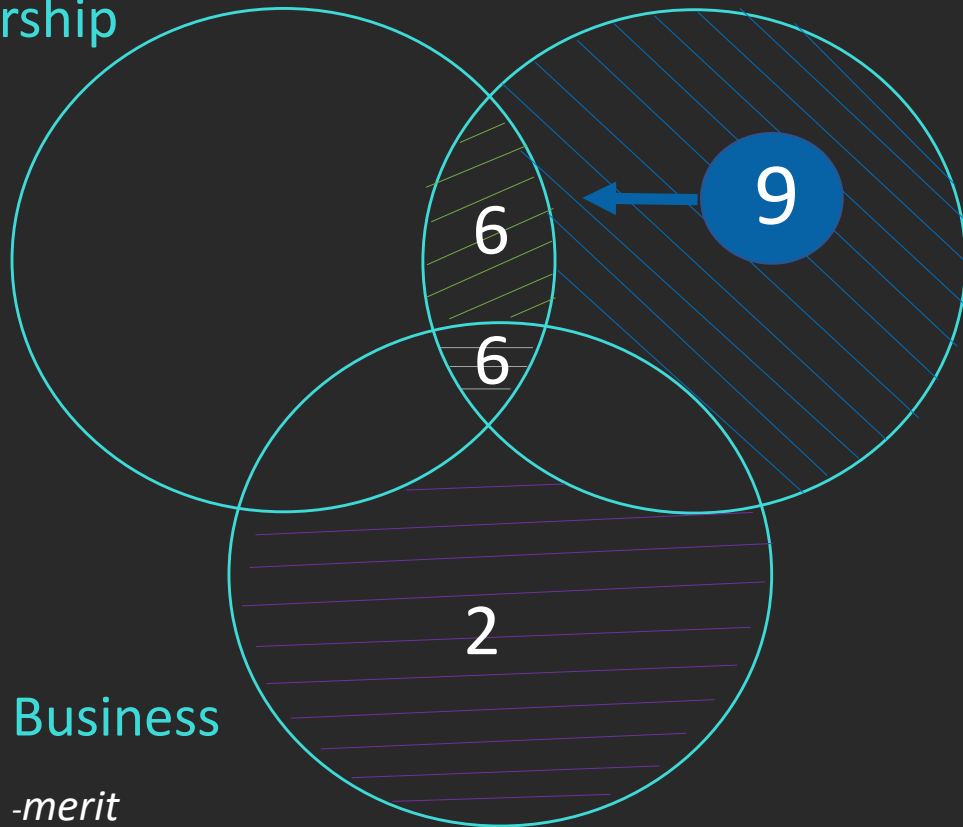
Family/Business: 3 Circle Model

Preparing for the second generation of owners



Ownership

-equity



Family

-needs

-entitlement

Business

-merit

Family-Owner-Employee

Adrian, David, Edgar, Charlotte, Marco, Tony

Family Owners

Amy, Emma, Hazel, Irene, Maria, Matthew

Family Members

Amy's son, Tyler, Julia, Thomas, Emma's two sons and daughter, Edgar's daughter and son (all 2nd generation)

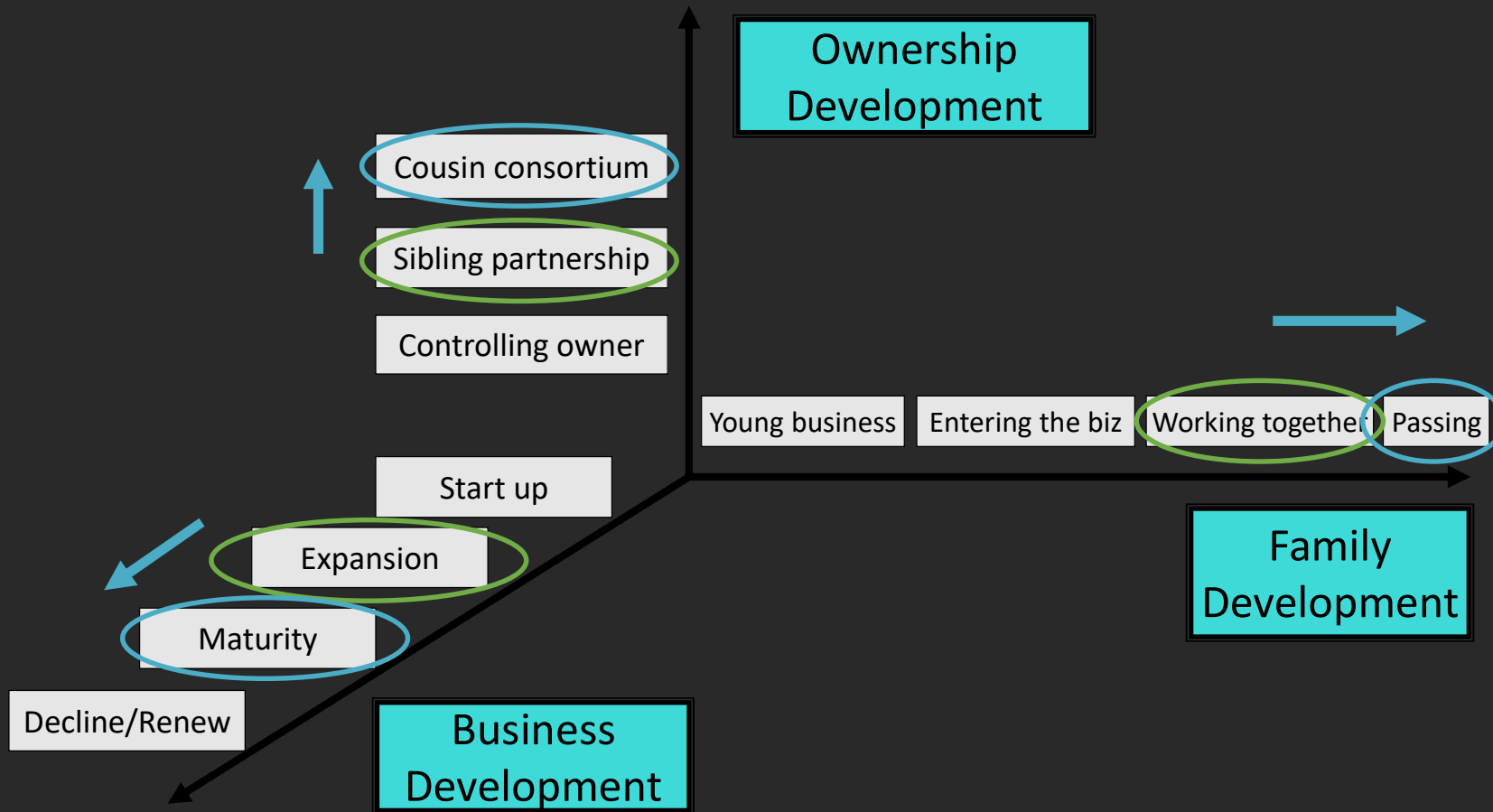
Non-family employees

Lily (Property Management) and Jason (Support Services)

Family/Business: 3 Dimensions



Change is in the air



Ownership Development

Transitioning from Sibling Partnership to Cousin Consortium adds to ownership complexity.

Family Development

Transitioning from Working together to Passing the Torch adds to family relationship complexity.

Business Development

Transitioning from the Expansion stage to the Maturity stage adds to Business complexity.

Generation 1

Generation 2

Business Models: Governance



As complexity increases more sophisticated forms of governance are required

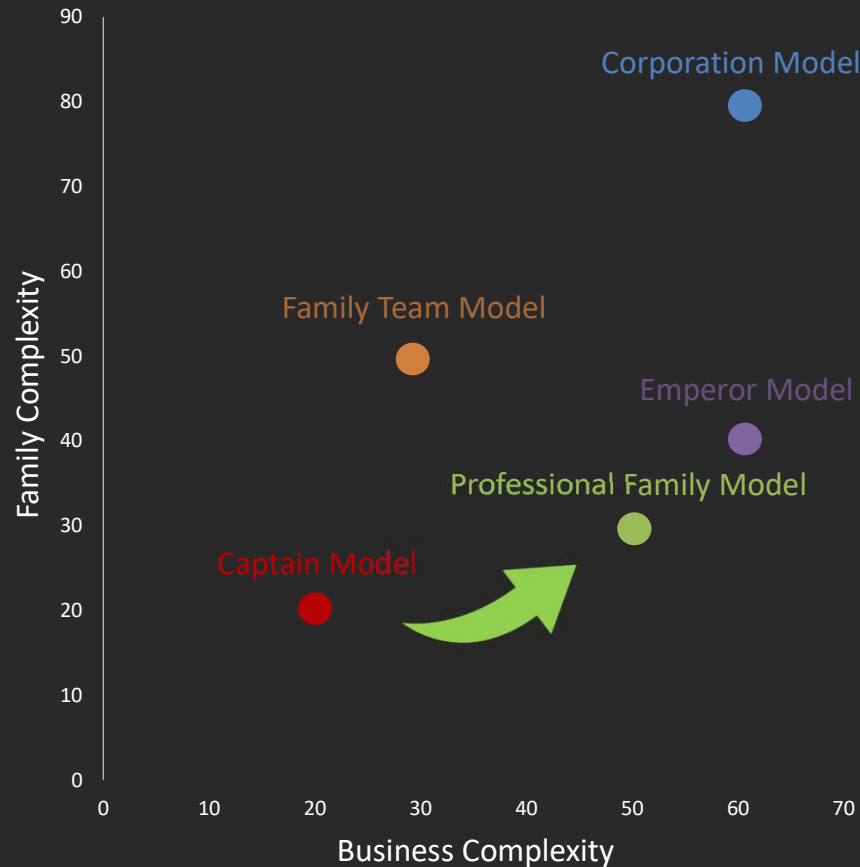
Current Business Model

Captain Model

- SME managed by the founder.
- Relatively small family size.
- Relatively small business scope and structure.

Drawbacks:

- Lower average age of the business (28 years)
- Usually don't last after the founder.



Target Business Model

Professional Family Model

- Relatively more business complexity with growth and development.
- Requires a well-developed family business structure.
- Merit-based family involvement in management of the business.
- As complexity increases more sophisticated forms of governance are needed including Family Council and Advisory Committee.

Key Options



Options:

| Guiding Criteria | Sell & Enjoy | Pursue Highest Profit | Evolve KS & Family |
|------------------|--------------|-----------------------|--------------------|
| Family Harmony | Uncertain | Uncertain | Yes |
| Family Provision | Uncertain | Yes | Yes |
| Business Success | No | Yes | Yes |
| Fulfilled Vision | No | No | Yes |

Recommendations

Embrace the “Three E’s”



https://en.m.wikipedia.org/wiki/File:Downtown_Ipoh,_Perak,_Malaysia.jpg

Engage your family deeper into the business

- Establish a Family Council
- Draft a Family Charter
- Create a Family Shareholder Agreement

Establish a comprehensive succession plan

- Focused communication of intentions to children and family
- Leadership evaluation and readiness determination process
- Leadership development and mentoring established

Evolve the governance structure of KS

- Create Advisory Committee to focus on the vision
- Determine the future composition of KS and related companies
- Ultimate transition of elders as board advisors to the next gen



Possible Risks, Managed



As with any project, there are risks – both with acting and with failing to act. A clear plan will give you the tools you need to meet any challenges that might arise:

| Possible Risk: | Likelihood | Impact | Approach | | | | |
|---|--------------------|---|--|--|--|--|--|
| Family disharmony or conflict | Low-Medium | Spreads to business | Mitigate: engage, communicate | | | | |
| Breakup of the company | Low – but possible | A differing vision than the one you have | Avoid: engage, plan together | | | | |
| Business negatively impacted | Medium | Vision harmed | Mitigate: build and guide leaders | | | | |
| Rushed/imperfect succession | Low-Medium | Business impact into longer term | Avoid: plan and execute succession | | | | |
| Matthew and Maria decide not to take an active role in KS | Low – but possible | A need to change the vision going forward | Accept: participate and ensure they have a place | | | | |

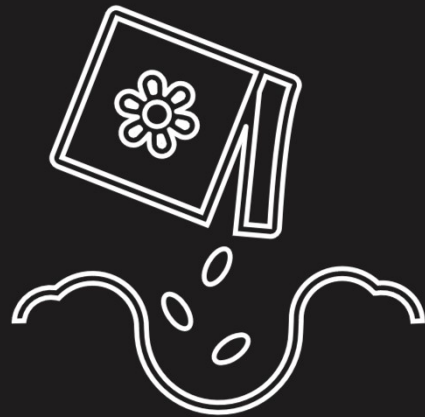
Photo credit: <https://fineartamerica.com/featured/blueprint-drawing-federal-territory-of-kuala-lumpur-malaysia-celestial-images.html>

Disconnect: Malaysian Family Businesses



80% of Malaysian business families want to **protect the business** as the most important family asset

BUT...



Only **23%** have a robust, formalized and communicated **succession plan**

Implementation Plan



Phase 1 ENGAGE

1-2 years

- Increase communication
- Strengthen connections

2021 to 2023

Phase 2 ESTABLISH

2-3 years

- Extend lines of communication
- Train, develop and mentor

2023 to 2026

Phase 3 EVOLVE

2-3 years

- Redesign business holdings
- Create "sandbox" for next Gen
- Strengthen Board; add Advisory Committee

2026 to 2029

Phase 4 INTEGRATE & REALISE

3-5 years

- Solidify new processes and structures
- Ensure smooth transitions
- Iron-out problems
- Pass the torch

2029 to 2032

Phase 1
ENGAGE
Bring Key
Stakeholders
together



duration: 1-2 years



P1 Step 1: Consultation with Adrian (3-6 months)

- Individualised meetings to determine your goals, hopes and aspirations for the company
- Envision future role
- Discuss potential succession/successors
- Include Charlotte in these conversations

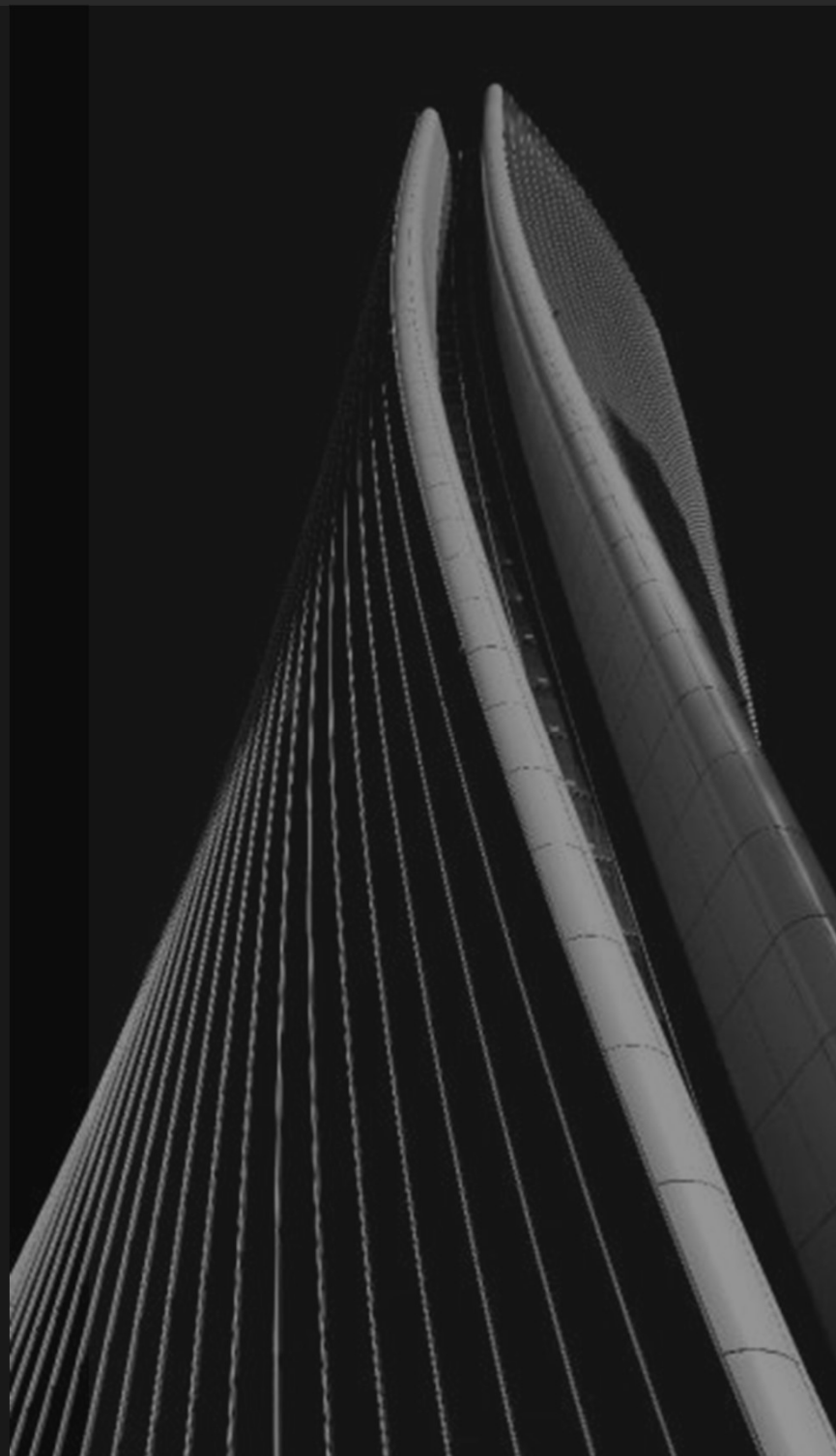
P1 Step 2: Consultation with Children (3-6 months)

- Bring together Marco, Maria and Matthew for discussions with Adrian & Charlotte
- Communicate future vision for company
- Encourage open dialogue about children's future plans
- Discuss potential succession with children
- Plan B to still involve children in business: Family Council, Board Observer/Board positions

P1 Step 3: Consultation with Brothers (4-7 months)

- Discussions between Adrian, David and Edgar
- Communicate future vision and children's role in it
- Discuss and invite feedback from David and Edgar
- Continue discussions with all siblings

Phase 2
ESTABLISH
Increase Family
Communication &
Develop Leaders



duration: 2-3 years



P2 Step 1: Family Gathering (Annual Event)

- Gather all family members
- Day of fun and bonding, and some business
- 1-2 hour meeting to update, announce upcoming family council, & invite next-gen members

P2 Step 2: Family Council (2 x per year)

- Invite all adult family members to join family council
- Regular meetings every 6 months
- Council will work on Family Charter and Family Shareholder Agreement/ Ownership Transition Plan

P2 Step 3: Succession Planning/Leadership Development (2-3 years)

- Identify key talent and invest in them
- Interested members of Next-Gen given roles in company
- In parallel to new roles, leadership development, coaching and mentoring programs start
- Programs can be ongoing, depending on interest from next-gen members

Phase 3
EVOLVE
Redesign Business
Structure &
Governance



duration: 2-3 years



P3 Step 1: Sibling-run company (1 year to set-up)

- Create “sandbox” opportunity for siblings interested in senior-level succession roles
- Allow them to run branch of company themselves to gain hands-on experience with low risk

P3 Step 2: Elevate next-gen members (2-3 years)

- Promote next gen members to new roles
- Continue mentoring activities
- Invite high-performers to Board

P3 Step 3: Strengthen Board & Create Advisory Committee (1 year to set up)

- Reassess and strengthen current board of directors
- Create 'Advisory Committee' with Adrian, Edgar, David
- Role of supervising and guiding next gen executive leaders
- Indefinite role after succession complete

duration: 3-5 years



Phase 4

INTEGRATE & REALISE

Solidify new processes
and complete
transition



P4 Step 1: Integration Period

- Ensure smooth running of Family Council and Advisory Committee
- Oversee continued mentoring and coaching of next generation members
- Consultants available to facilitate with any challenges or iron-out any issues which have emerged during change period

P4 Step 2: Final Stage of Transition

- Successors in new roles
- Previous leaders stay on Advisory Committee or retire from KS

Recap



CHALLENGES



Provide for the family



Involve the next generation



Ensure continued success of business

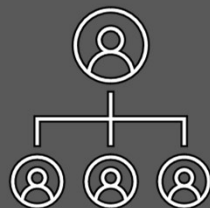
RECOMMENDATIONS



ENGAGE family in the business



ESTABLISH a comprehensive succession plan

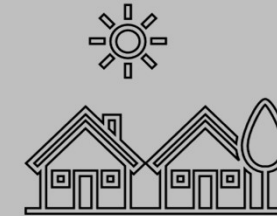


EVOLVE management and create new structures

OUTCOMES



Provision for future generations



Contribution to community



Continued success for business



Source: Taman Tasik Saujana, <https://www.kintasaujana.com.my/project/taman-tasik-saujana/>



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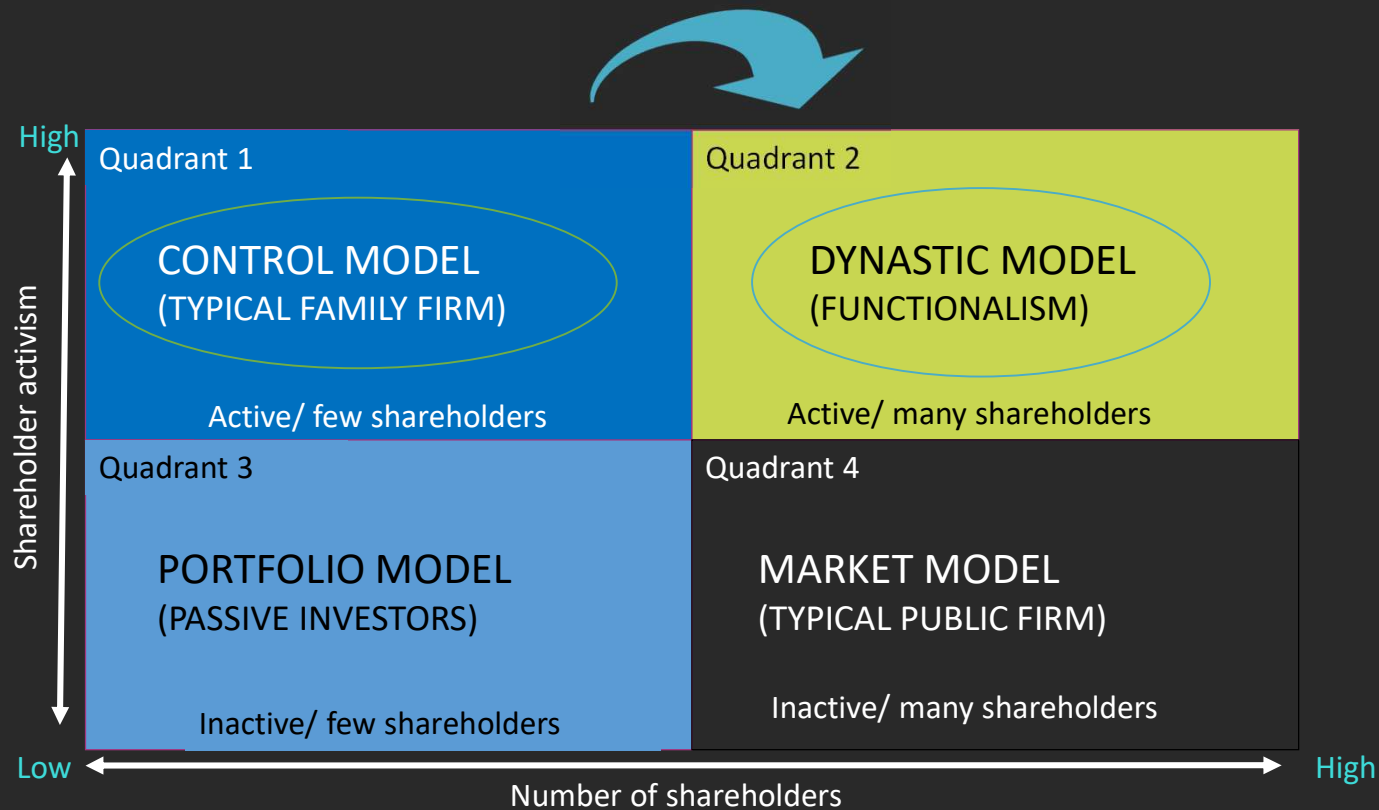
Thank You!

Any questions?

Appendix 1: Business Analysis – Corp. Governance



As complexity increases more sophisticated forms of governance are needed for future generations.



Examples of Governance Tools



Family Governance through a Family Council

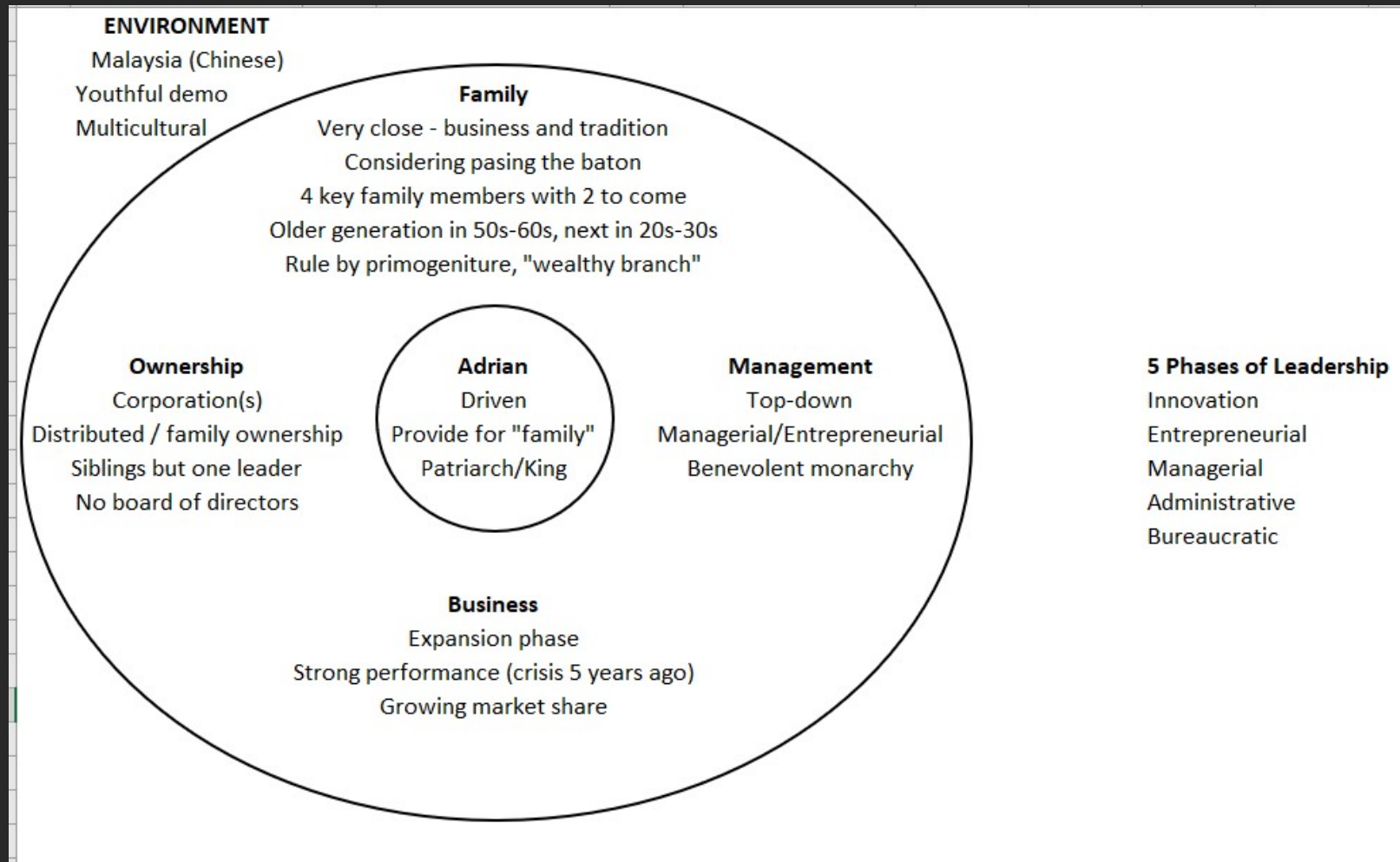


Business Executive Council



Board of Directors or Board of Advisors

Appendix 3: Family Business Analysis - Integrated Model





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