



FAMILY BUSINESS

IN SINGAPORE
CASE STUDIES



FOREWORD

Family businesses, typically small and medium enterprises (SMEs), are a critical backbone of the Singapore economy. Data from SPRING Singapore, the government enterprise agency, shows that SMEs form 99 percent of all enterprises in the country. They employ seven-in-10 workers and contribute over half of national gross domestic product. Besides creating jobs, family businesses also make important contributions to innovation.

Family enterprises face a unique set of operational challenges, which can determine their success or failure as businesses. This study – a joint effort by CPA Australia and KPMG – seeks to gain insights into family businesses, understand their owners and identify attributes that contribute to their success.

Phase 1 comprised a survey of family businesses, which was conducted between August and September 2012. A report addressing important themes and key challenges for family business was published.

In this second phase, the study has produced a series of real-life family business case studies. These are based on in-depth interviews with the second or third generation leaders of Qian Hu

Corp, iwa Design, FoodXervices Inc and Comfort Design, who shared their experiences on:

- challenges they face as family businesses
- main sources of conflict and how they are effectively managed
- governance practices
- succession planning
- entrepreneurship and innovation

The interviews are packaged in two formats - video and print.

Each print case study is also accompanied by a series of discussion questions, which are aimed at generating debate and sharing of views. They do not include analysis or interpretation of the circumstances facing each family business featured. Those using the cases are at liberty to discuss and debate the relevant issues.

CPA Australia and KPMG thank Qian Hu Corp, iwa Design, FoodXervices Inc and Comfort Design for sharing how they have juggled the delicate balance between retaining family values and adjusting to commercial conditions to succeed as business entities.

We trust the experiences of the cases will provide valuable insight for other family businesses as they adapt their operations to cope with the ever-changing and increasingly complex business environment.

Owi Kek Hean

Deputy Managing Partner
Enterprise Markets
KPMG in Singapore

Melvin Yong

General Manager - Singapore
CPA Australia

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QIAN HU:

FAMILY BUSINESS AND PUBLIC COMPANY

“ Small fish have to swim together to survive. Without my four brothers and two cousins, I don't think there would be a Kenny Yap. ”

Kenny Yap
Executive Chairman and CEO
Qian Hu Corp

CASE OVERVIEW

In 2000, ornamental fish exporter Qian Hu Corp was listed on the Singapore Exchange. It was the first company of its kind to float its shares in the local market. Although Qian Hu was not in the fish export business from the very start, it has remained a family owned business over the years, and is now headed by its executive chairman and CEO Kenny Yap. This case study highlights the challenges that a family business faces, how it handles issues of conflict and remuneration, and the governance structures it has in place as a family and listed company. How it fosters innovation for a competitive edge, and how it ensures that the company is ready for succession are also discussed.

QIAN HU CORPORATION

Qian Hu is an integrated ornamental fish service provider, involved in the farming, importing, exporting and distribution of ornamental fish, in particular its premium branded “Qian Hu” dragon fish. The company also manufactures aquarium and pet accessories for the domestic and international markets. It currently has presence in four countries: Singapore, Malaysia, Thailand and China, through its 10 subsidiary companies.

MAIN BUSINESS ACTIVITIES

Ornamental Fish

The group's ornamental fish business includes the import and export, breeding,

quarantine, conditioning, farming and distribution of its fish stock. Ornamental fish stocks are imported from countries in South-East Asia, South America and Africa, and the company exports over 500 species and varieties of ornamental fish to more than 65 countries.

Accessories

The accessories business is particularly important as most consumers tend to spend multiples more on accessories for their ornamental fish than on the fish itself. Qian Hu has its own brands of aquarium and pet accessories and a manufacturing presence in Guangzhou, China where it produces these products for both the company as well as other parties. The company also distributes more than 5,000 aquarium and pet accessory products for 20 major manufacturers in leading supermarkets in South-East Asia, including NTUC Fair Price, Cold Storage, Carrefour, Lotus and Tesco.

Plastic bags

In addition to ornamental fish and accessories, Qian Hu also manufactures plastic bags for its own use in the packing of its ornamental fish for sale. The plastic bags are manufactured in a factory in Singapore located near its fish farm. The plastic bags are also sold to customers in the ornamental fish, food and electronics industries.

KENNY YAP – THE MAN AND HIS LEGACY

While Qian Hu is the world's largest ornamental fish and accessories exporter today, it has not always been the case, and it certainly did not start out that way either. The Qian Hu story began with the Singapore government's decision to phase out pig farming during the 1980s. The Yap family piggery, looking for ways to survive, decided to put their pigpens to use as ponds for growing guppies instead. By 1989, the first of several disasters struck. Kenny, the youngest son, was studying in Ohio, USA, when he learned from his brother that a prolonged period of rain had wiped out the company's fish stocks.

The family felt an entirely new start was needed, so they consulted a geomancer and the result was the renaming of the Yap Brothers Fish Farm to Qian Hu, meaning “a thousand lakes”. The new name represents water, which has the dual meaning of being the lifeblood of the ornamental fish business and a flow of wealth in Chinese culture. However, a new start did not mean instant success for the company. The brothers switched from guppies to a fish known as the high-fin loach. The fish, from China, was popular back then and the brothers thought they could make big profits from this new breed of fish, by growing them out to five inches (13cm) long. What the brothers did not realise at that time was that the high-fin loach was very sensitive and susceptible to shocks. Vibration created by construction work on new ponds had a fatal effect on their fish stocks. “While we were building more tanks to contain the fish, we killed the fish along the way,” Yap said. The first Qian Hu venture was nearly bankrupt as a result.

Instead of bringing the fish business to a halt, the setback became the catalyst for Yap’s legacy as a successful Asian entrepreneur and a personal legacy based on a story of a fish with a broken tail. “We were at a crossroads of whether to continue the business and all the while I like fish,” Yap recalled. “I remember at the age of six or seven, I spent 50 cents and I bought a gold fish with a broken tail. My brother laughed at me but I didn’t (care), you know why, because I really liked this fish.” This became a business philosophy, born out of the definition of what makes a good fish. “Whatever kind of fish, as long as you like it, it’s a good fish,” he said. “I learned how to define what is beautiful from within.”

It was enough to keep him going in the ornamental fish business but there was still a lot of work needed to right the ship. The brothers had made three critical mistakes in their early days, Yap admitted. “We were greedy. We just jumped into a business thinking that we can get rich overnight.”

The second mistake was putting all their eggs in one basket. “We cannot rely on one fish, these fish all died and then we were nearly bankrupt,” he said. The third lesson was that they had to learn more about their products before diving in. These lessons learnt, what followed after was many years of hard work, underpinned by the formation of a management structure which has allowed the family company to prosper into a public company, all the while retaining the core Yap family values.

MANAGING AND RESOLVING CONFLICT

The key to managing and resolving conflict for the Yap family is centered on family values of transparency and communication, although a good rule book has also proven important. In one example, Yap shared that he had to fire one of his nephews simply because there was not one set of rules for the family and another for employees. “We have this company policy about management trainees, if they are Singaporeans and especially if they are family members, they have to be posted overseas,” he said. “One of my nephews got into some emotional problems with his girlfriend and requested to come back. He seemed to have lost his way so I allowed him to come back for a few weeks or one month to settle the whole thing. Once he exceeded that and still couldn’t handle his personal case, I had to fire him.” Yap insists that it was important to set a standard of discipline for the rest of the company. “In those situations I have to make a decision, fire and deal with the relationship with my brother later on,” he said. “When it is doing something for the good of the company then I think my brothers will see my good intention.”

There is also a strict rule that in-laws are not to be involved in the business. “Qian Hu values and cultures very much evolved from Yap-family values and culture,” Yap said. “I did not invent those kinds of values, I just learned from my father and then (I’ve) tried to put it into my corporate cultures.” Yap says the interests of the extended

family outweigh the nuclear family in their business. “They may look to their sons, their husbands rather than their other brothers-in-law,” he said. “I can’t deal with my elder brothers and their wives. So I told my brothers, any issues, you discuss within (your) family, you filter it and give me your opinion. I’ll just treat that opinion as yours, I will never say it’s from your wife.”

“In a very professionally run company, whatever you think, just follow the theories, follow the policies, follow the books, follow the KPIs, you get things done, you fire people any time you want, you hire people any time you want,” Yap said. “In a family-run business you always have to deal with the emotions ... you need a lot of patience.” Yap says his brothers sometimes require a bit of convincing to make changes to the company, which can take some planning and time. “(But) if you lose your patience, you get angry, you destroy the relationship and then no theory can help run the business.”

Sometimes, he says, he has to make a call. “If something is so critical that it’s going to affect the company, which is eventually going to affect all my family members, I have to make the decisions and try to patch up the whole thing later on.” To this end, Yap says it is a small price to pay for the support of his family. “The good thing is that, no matter what, people will not discard you,” he said.

GOVERNANCE

A key theme running through Kenny Yap’s management theory is the value of transparency. For the company, governance at the corporate level has all the stringency required of a public company, and more. “We have our family meeting and we have our holding company, which consists of the co-founders, we have those kind of meetings but as far as the board meetings go, as far as the management meetings, they are all purely professionals,” he said. “They are always formal, there’s no informal things. The informal one is always going to be

the family meeting, going to the holding company meeting. For the separation of this ownership and professional running practices we are quite clear within the family.” Yap says the family holding company has been set up like a trust, and they have avoided the practice of holding formal family councils.

COMPENSATION AND EQUALITY ISSUES

The transparency theme extends to pay packages and even the Yap family’s salaries are benchmarked against their employees. “A listed company has to be transparent, but family run businesses have to be even more transparent,” Yap said. “We are so used to the transparency among family members that my brothers have no qualms about revealing their salary. Those people who dare not disclose, they always have skeletons in the closet so they will try to hide.” Qian Hu reveals a lot more details regarding the salaries of those working in the firm than many of its competitors. Yet Yap is not at all concerned about giving away critical information which competitors may use to poach his staff. He says he tries to offer competitive salaries and a workplace free of politics to retain his staff. Originally, the brothers all paid themselves the same amount but after a while the brothers with families of their own were struggling to make ends meet, so an increment was allowed for every dependent. “For the first 10 years I was getting the least,” CEO Yap, who is unmarried, revealed. Equally, after the company went public on November 8, 2000, they had to ensure that the family salaries for particular posts did not exceed what an outsider would receive for a similar job.

ENTREPRENEURSHIP AND INNOVATION

Yap says that until there is intergenerational change at Qian Hu, it will be difficult to determine the company’s capability to endure successfully. “Until I pass over my patent to some other people, then we can

conclude whether we are successful or not," he said. "We have strong corporate cultures and values that may give us a certain kind of distinctive identity among listed companies in Singapore. We are also a good example of how family businesses can professionalise by having clear separations of ownership and professionalism. I think we manage these two parts quite well."

For family businesses, he has one piece of advice: they should come up with sensible rules for the family to abide by. "You can learn from various family-run businesses because there are certain kinds of common things they face but ultimately everybody has to look inwards at their family dynamic and peculiar kind of history, background and make sensible house rules."

For the Yaps, teamwork is especially critical. While they live in separate apartments, Yap says he and his brothers as well as cousins all share a common abode, a place where they get together at least once a week, if not more. "We have a common playground to mingle and to celebrate during certain kinds of occasions, especially over the weekend. So we're very close." That teamwork is one of the key attributes he credits the family's success with, and another is to keep no secrets from one another. "We are very transparent amongst ourselves," he insisted.

PREPARING FOR THE NEXT STEPS IN A FAMILY BUSINESS

The question of public company rules versus family company values never comes up at Qian Hu. In Yap's opinion, the rules applied to public companies reinforce an even stronger sense of discipline amongst the family members. "For Qian Hu, we wanted to list because we wanted to grow the company and we wanted to make ourselves more disciplined by making our shareholder structure even more professional," he explained. "Listed or non-listed company, family or non-family, it doesn't really matter. The thing that really matters is are you running a good company."

To maintain that level of discipline, he says will fire employees whom he thinks play politics in the workplace. "We don't like politics, we will fire people who play politics," he said. "Without that you can't survive beyond (one) generation regardless of what kind of shareholders you have." And, he has told shareholders that the interest of his employees come before the interests of the shareholders. "Who creates value for you, my employees," he said. "I have to take care of (employees) before (shareholder) interests because if I take care of them they produce good values for assets and you will get the value. If you are the shareholder who has a speculative kind of mind in terms of speculating the shares rather than the interests of the company, do I have to really care about you, your interests? No, not necessary. I have to care about those people who truly care about the company," he said.

SUCCESSION PLANNING

Yap believes his current generation of leaders at Qian Hu has just seven years left at the helm, and he will be handing over the reigns entirely in a little over 12 years. "Our planning is always that when I reach the age of 55, there will be a new CEO," the 48-year-old said. "Right now I'm the CEO and chairman. I'll stay on the board for another five years to oversee the transition and at the age of 60 a major group of executive directors will leave the company and let the new team run the show," he said.

Nearly a decade ago, Yap began drafting a new generation of potential leaders into the company's management trainee programme. "I tried to imagine after 15 years, or 20 years, one team of people, a young team has to take over," he said. "I'm not looking at a successor, I'm looking at a succession team, a team replacing a team." His plan involves having candidates from a wide range of different nationalities, and not necessarily from the Yap family, plus a self-selection process. "I was an Army assessor who chose people for

leadership positions to become officers. [Doing that] I realised that sometimes executive directors as appraisers might not be the best because we have biases about people," he said. "The best way to choose a leader among themselves is peer pressure, which is [why, I will] ask them to choose amongst themselves."

For Yap, it is about the importance of letting the youth flourish. "You have to give room for the new players to profess their talents," he said. "My father didn't know how to do the fish business so he didn't disturb, he only gave me values."

Discussion Questions

1. Evaluate how Qian Hu manages and resolves conflict within the family business, which is also a listed company. Consider how Kenny Yap had to fire one of his nephews simply because there was not one set of rules for the family and another for employees, as well as Qian Hu's strict rule that in-laws are not allowed to be involved in the family business.
2. In your view, to what extent does the dual structure of a family business and public-listed holding company assist with taking governance to a higher level?
3. Family members in Qian Hu are said to be open about their personal salaries and have devised what appears to be a novel approach to determining who gets paid how much. Evaluate the potential positives and negatives this may mean to a typical family business.
4. Kenny Yap believes that family businesses can "professionalise by having clear separations of ownership and professionalism". How would you interpret this point of view? Please explain why.
5. Succession planning is often a difficult decision for family businesses. Discuss how you think Qian Hu's model may be one that others can emulate.

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iwa DESIGN:
SIBLING HARMONY

“ You need to feel and see what the world is changing into. You need to get prepared for the worst. So we keep telling ourselves that not everything that we do today is going to be right next year. ”

Ben Lim
Managing Director, iwa Design

“ Nothing is impossible so if you are determined to do something, always look on the bright side and there are always people who are there to support you and then to help you achieve your dream. ”

Dorothy Lim
Executive Director, iwa Design

CASE OVERVIEW

This case study on iwa Design, a Singapore-based fit-out and design firm, tracks the transition of a family business which two siblings enter into through different routes, to not only take on leadership roles but also transform the business model to keep up with a changing market. The case study highlights how the pair handled issues of conflict, governance, remuneration and equality, entrepreneurship and innovation, and finally, how they ready the company for a smooth succession. The brother and sister also share some valuable tips for other entrepreneurial siblings out there.

iwa DESIGN

iwa Design was established in 1986 as an interior design firm. Started by Ben and Dorothy Lim's father, Mr Lim Swee Thian, the firm began in the events and exhibitions industry before growing to dominate retail designs in Singapore for electronics giants such as Megastore Courts & homegrown brand like Osim. Under the guidance of Ben and Dorothy, the firm grew to take on design work for chain stores and luxury brands. Ben and Dorothy have adopted a strong brand story focused on two core propositions - ideas and trust. The word iwa is Japanese for rock, which the firm refers to as a metaphor for dependability. iwa Design aims to be the top brand of choice, as a one-stop partner for fit-out solutions and design services for both local and global clients.

MAIN BUSINESS ACTIVITIES

iwa Design provides professional interior services from feasibility studies to space planning, design concepts and technical renderings, to project management and complete turnkey solutions. The firm's project portfolio includes corporate offices, retail boutiques, mega stores, showrooms, exhibitions and events. Clients come from a wide range of industries including the F&B and luxury brands, audio and electronics, banking, cosmetics and fragrances, fashion, furniture and more.

BEN AND DOROTHY LIM

From a young age, Ben Lim had been groomed by his father to join the family business, starting with the school holidays which he would spend in the firm's factory working on woodwork, painting and helping set up new projects. He joined iwa Design full time in 1996 after completing his National Service, following his studies at the Nanyang Academy of Fine Arts. Working initially as a driver, then coordinator and project manager, Ben has worked his way up to finally becoming the managing director today. "I went through every stage and every department, I know what every individual is facing so that helped to get me ready for what I am doing today," he said.

Ben's older sister, Dorothy, joined iwa Design after him, and after several years of working outside the business. According to her, the family business was in their blood from an early age. "We are all soaked into the atmosphere of the interior industry. We all started drawing also when we were very young, so when I finished design school I actually worked with some other companies. I worked for about seven years outside in different trades from design, doing project management, doing sales and so forth until Ben convinced me to join the business," Dorothy elaborated.

Her journey into the business was in part due to family responsibility and circumstance. "I started doing freelance project basis in year 2000 and, then after that, I never got my feet out from this business," she said. Once in, both siblings set about transforming the business. Ben saw the need to expand their clientele base, while Dorothy wanted to put in more systems and processes to streamline operations.

MANAGING AND RESOLVING CONFLICT

Managing the business together, the two siblings encountered several classic problems associated with generational change within a Singapore family firm like iwa Design.

The first issue was being trusted enough by their father to take on more responsibility. Ben remembers this as a tough challenge from his earliest days in the business. "I remember when he was on my back on every single project to a point I couldn't have free play on what I thought should be done," he said. "I told him if you are going to be behind my back all the time I can't grow, then I'll just be listening to you, why don't you just tell me what you want me to do then I'll just do it." This was the turning point in the father-son working relationship. "He realised, then he said fine if you want to do that, you want to be on your own, you make sure things don't go wrong."

The next challenge was addressing structural changes in the business. Like many older Singapore SMEs, iwa Design had a five-and-a-half day work week, which

many other companies were gradually phasing out in favour of a 5-day week. While the production schedule was engineered around a five-and-a-half day week, the extra half-day was deterring new talent from joining the firm. The siblings felt they needed to move with the times and shift to a five-day week. It was a change that took three years to implement. The shorter working week was popular with staff and made the company more attractive to new hires, but production delays began to crop up due to the absence of the Saturday production, which made it difficult to prove to their father why it would work.

The end result was a win for both sides. Ben explained to the staff that if they wanted a five-day work week, they needed to take more responsibility for their productivity, just as he had to when he first joined the business. "You have to be basically responsible or have ownership of your own job," he said. "From then on, I think everybody agreed and we have not looked back since." The episode taught him a valuable lesson about the determination required of a leader, particularly when coming up against a family member. "To prove to the founder that society has changed, things have evolved and we need to apply certain things, determination is a big part of making things change in the family business."

Eventually the pair had to – tactfully – ask their father to step aside, as they assumed control of the business. "We slowly assured him that we can make certain decisions." The result was increasing sales revenue and a growing reputation of iwa Design as a fit-out partner. The results-driven transition had demonstrated to the senior Mr Lim that they could be trusted to take over the business that he had built up over 26 years.

Between the two siblings, the secret to managing and resolving conflict has been to understand each other's strengths and weaknesses. Ben saw that his sister was good with systems and processes, so she was put in charge of internal management, while he saw to the creativity and business

development side of things. “Knowing our strengths and weaknesses is very important because we work together hand in hand. And once we have a common understanding, we have to respect one another for whatever decision is being made,” he said. “When I have certain query or question what I do is I will approach her and tell her - Dorothy, I have this thing coming up. What I feel is this, tell me what you feel. Then she will tell me, have you looked into this? Do you know this may happen? That may happen? Then I will analyse it at the end of the day still make a decision but if the mistake is being made, I have to take full responsibility. Likewise for her.”

Dorothy also noted that it was important that once a decision had been made, the one responsible must take charge and work towards best results. Whenever the pair of them could not reach an agreement over something, they would let their teams decide.

GOVERNANCE

iwa Design’s governance regime, handed down from the senior Mr Lim, expounds his business principles and ethics which Ben and Dorothy describe as strict and strong. To maintain a level of transparency and accountability, iwa Design is audited every year. Recently, it began implementing the appropriate certifications including ISO, green mark and OSHA. Dorothy is currently working on processes and automation to give the firm continuity in the event neither she nor Ben was around to make decisions. They have implemented management policies, CRM, a HR handbook, staff appraisal processes and formalised their brand story and personality so that all staff could become brand ambassadors for iwa Design.

“Everybody is the brand ambassador, so when they join the company, even before, during the interview phase, we look at their attitude,” Dorothy said. Ben explained that their governance was based around growing the brand, and always delivering on their promise to customers, even if it meant losing money on occasion. “We

always train them to tell them what we think, why we do this? Why it is right? Why it is wrong? It may be better to lose money but we cannot short change our customer. When we commit to a job/a client, we have to do it well and right.” he said. “These are the kind of principles we have in mind. This is the unwritten rule of governance.”

COMPENSATION AND EQUALITY ISSUES

For Ben, practising equality is an important part of human resource management.

“What we want is talent with love, passion and commitment to join us in this company,” he said. Over time, that has come to mean a mixture of family, local and foreign talent in senior positions. Starting from the factory floor is important to both siblings.

“We started from ground, when I joined, like Ben started as a driver, when I joined the company I had a pay cut and started only at an executive position,” Dorothy said. Both were acutely aware from the onset that they had to disprove the notion they were born with a silver spoon and knew nothing about the business, and be able to hold business-like conversations with people who had been working in the firm for 15 to 25 years.

This has meant empowering the staff to think strategically about the business and become responsible for problem solving. “We engage the team to voice out solutions to a problem and we encourage ownership,” Dorothy said.

When it comes to remuneration, the pair follows their father’s lead which was to take a modest salary and reap any rewards at the end of the year after the earnings were tallied. New measures have included introducing KPIs but old-fashioned loyalty still plays a big role at iwa Design, so older employees will continue to be rewarded for their loyalty and dedication. The aim is to share the spoils of success equally but also encourage a holistic view amongst the employees. “Working here, pay is not everything. It is the culture and the environment that gives them progression

and we treat them like a family,” Ben said. “We practise zero politics because we tell them that anything we do is basically for the company not for myself or for anybody else.” In the past, both siblings have forsaken pay rises on occasion, contributing their share into the pool, allowing the other staff to take home more.

ENTREPRENEURSHIP AND INNOVATION

Focusing on change and being prepared is one part of the siblings’ strategy for entrepreneurship and innovation. The ongoing nature of business evolution is also important. “One thing as a leader is that you need to tell yourself that you cannot be complacent,” Ben said. “You need to feel and see what the world is changing into. You need to get prepared for the worst. So we keep telling ourselves that not everything that we do today is going to be right next year.” This means a lot of thought goes into deciding the best approach for the company as it currently stands, to position it for success in five or 10 years.

“So that’s how we continuously evolved the company in order to keep up with the market,” he said. Allowing their staff to think independently has also been an important part of encouraging innovation. “Nothing is right or wrong depending on which perspective you look at it. Empowerment is very important to our people,” he said. With empowerment comes the responsibility to let staff make their own decisions, he said, and sometimes even standing back despite misgivings to allow them to act.

Dorothy feels that in a family business, empowerment also means changing the hierarchical culture so that family members did not take precedence over non-family staff, working their way from a bottom up approach as opposed to top down. The siblings do not explain to new staff their relationship with the company’s founder, whom they always refer to as Mr Lim in the office. Despite all new staff eventually learning about the familial relationship

between them, the siblings maintain the non-disclosure to ensure a business-like atmosphere within the company, as any SME or MNC has.

PREPARING FOR THE NEXT STEPS IN A FAMILY BUSINESS

For the last six years, the siblings have contemplated planning for the next generation of leaders at iwa Design. However, as both are still young managers, their focus now is on building their middle management teams to help them grow the business. “We are still training and trying to groom the right people,” Ben said. “It takes about easily six to 10 years to train somebody up, so we are looking around and training our people internally. There are a few candidates whom we think could bring the company to another level, but then it will still take a long time to train them so this is something I think we have to plan.”

The plan is to free up Dorothy and Ben’s time, allowing them to move on from their current roles and grow the business in different ways. “What we want now is to train up the middle management people, the talent that are able to help us do our work so that we can grow in the next stage because no leader wants to be stagnant in their current position,” Dorothy said. “Empowerment comes in, then we have to have mutual trust and we must have the same mind-set, same values and we must build a very strong team that can do certain things without us. I think over the last three years we have seen certain growth in key people and we have managed to choose our dream team and are training them now. But then again, the next five years or 10 years, the perspective is unknown. These people, whether we will still have them in five or 10 years, we are not sure. But we will definitely want to have another group of people that can stay with us for the next 25 years. My father has a very good team which has been with him since 1986. They are still around so the next challenge for us is how to get another team that works 25 years for us.”

SUCCESSION PLANNING

Ben and Dorothy both agree it is too early to look to the family for the next generation of leadership at iwa Design. “The dream team that we have planned, none of them are from our family,” Ben said. “Our kids are still young and over the last few years we found a lot of challenges when we brought in family members,” Dorothy added, as issues with family members had centred around wielding authority without having won the respect of the team.

“Business around the world has evolved. I feel that if you insist on putting a family member into a family business, if that guy is not cut out for this business, he is not going to grow the company,” Dorothy said. “What we are trying to do here is to grow the brand because we have all these people with us for so long. Some of us are still young and managers now, for example, if they are with us for another 40 years, we are responsible for all of them. So whoever that we bring in for the succession planning has to meet the certain criteria that we are looking for - not just because they are family members.”

Dorothy said when her children turn 20 and want to be involved, and if they showed the right qualities for the job, then perhaps she will give it some thought. “We have been looking around and we have been getting new breed of people in and they are totally not related to us. If they have the calibre and the capacity to bring the company to another level, we welcome them to join us,” Ben added.

CONCLUSION

As passionate advocates for their business, the young Lims are passionate about their work and their company. Ben said that passion was essential for success. “You must have love and passion for your job. And with that the determination to tell yourself that I will get this done, I will achieve this, this is my target, this is my goal. Once you set your target and goal, don’t look back and just go forward as long as it is proper, with the right business ethics and doing no evil. You will succeed if you set your mind on that,” he said.

Dorothy Lim adds that a never-say-die attitude is the recipe for success. “Nothing is impossible. So if you are determined to do something, always looking on the bright side, there are always people who are there to support you and help you achieve your dream,” she said.

Discussion Questions

1. During the generational change in leadership, iwa Design faced some classic issues such as gaining the trust of the founder and managing structural changes in the business. Discuss the model that was adopted by the siblings Ben and Dorothy and how you think other family businesses can possibly take a leaf from this experience.
2. Where governance is concerned, many family businesses usually have one form – the founder’s word is the law. In iwa Design’s case, to maintain a level of transparency and accountability, iwa Design is audited every year. It also revolves governance around growing its brand. Assess how its practices add to raising the bar on governance in general.
3. When it comes to remuneration, the Lim siblings follow their father’s lead, which was to take a modest salary and reap any rewards at the end of the year after the firm’s earnings were tallied. Evaluate the potential positives and negatives this may mean to a typical family business.
4. Focusing on change and being prepared is one part of the iwa Design’s strategy to encourage entrepreneurship and innovation among its staff. This means changing the hierarchical culture so that family members did not take precedence over non-family staff. Evaluate how this practice may benefit family businesses and assess if there are risks associated with doing this.
5. Succession planning is often a difficult decision for family businesses. Discuss how you think iwa Design’s model may be one that others can emulate.

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Interview with CPA Australia, 15 March 2013



FOODSERVICES INC:
NEXT GENERATION

“ Basically, anything and everything that is food service related, we want to be able to service the customer. ”

Nichol Ng
Co-Managing Director
FoodServices Inc

CASE OVERVIEW

This case study on FoodServices Inc, a Singapore-based food services distributor with interests in wholesale, retail, logistics and food and beverage services, tracks the transition of a prominent family business entering its third generation and needing major changes to prosper. The case study highlights how the transition was handled, as well as how the family business tackles issues like conflict, governance, remuneration, equality, entrepreneurship, and innovation.

FOODSERVICES

FoodServices Inc grew out of provision wholesaler, Ng Chye Mong, which was opened in 1937 by Mr Ng Lim Song. Originally operating from a shop house on Rochor Road, the business dealt with Chinese delicacies, canned and dried goods. By the 1960s, the business had grown significantly in tandem with Chinese restaurants in Singapore. The first generation handed over to the second in the 1970s when Mr Ng's sons took over, expanding the business into western food products for the booming hotel trade. The business continued to grow through the 1980s but towards the end of the millennium, the firm had begun to struggle. The second generation Ng brothers persevered and the business made it through the most difficult period but, with modernisation, the traditional ways of trading and distribution were fast becoming obsolete. The current generation, siblings

Nichol and Nicholas Ng, took over in 2007 and have since transformed the firm into one of Singapore's main food services business with over 4,000 products and 2,500 customers spanning the full gamut of food service from hawkers to five-star hotels.

MAIN BUSINESS ACTIVITIES

FoodServices Inc calls itself a hypermarket for the food services industry, selling almost everything that goes into a meal. While most of the business is wholesale, FoodServices Inc has a retail subsidiary called GroXers Inc that services the online home delivery market. FoodServices Inc also supplies dry goods like napkins. The company aims to expand in Asia and begin offering a wider range of products including fresh and frozen foods and a food and beverage consultancy, with a particular focus on being a one-stop shop to help food services start-ups establish their businesses. The company has a strong customer-focused culture, living up to its motto to offer thoughtful service from the heart. FoodServices Inc also has a range of in-house brands (Xtuff, Bello, GroXers, Xin Si, and KooriMo) created using a global supply chain. They sell products from multinational brands such as 3M, Divella, MUH, Bangor, Lee Kum Kee, Kimberly Clark, and Unilever.

NICHOL NG

Former media executive Nichol Ng joined the business in 2002, carefully understudying her father and learning the ropes. She slowly began to restructure the business, and after her brother Nicholas joined in 2007, the pair rebranded and took over the management of the company in 2007. They now serve as joint managing directors. Nichol said neither she nor any of her family had intended to join the business as a third generation but her father asked her for help when they were facing challenges with computerisation at about the same time as the SARS crisis in 2003 when the travel and tourism industry in the region faced a large downturn in business, impacting both hotels and food establishments.

Nichol said her management approach has been hands on, with a focus on earning the respect of her staff by her capacity to do well at any job in the business. She and her brother still open and close the doors each day even though the firm has grown into a large corporate entity. “We always need to keep an eye on the ball, and the other thing that’s also important is a willingness to innovate and re-create, take a look at the business from the outside, because our business is nitty gritty, so we are very busy on a daily basis with the day-to-day things.” She said at the beginning, her staff felt threatened by modernisation so winning their trust was important. “I showed them that I could be like them, so I made my own deliveries, I did my own ordering, even till today if any of them falls sick, we actually cover for them. I can easily make any deliveries and issue invoices, she said. Overcoming sexism in the industry was also difficult. “I’m not saying they are biased but chefs being chefs, sometimes you take a lot more time to win them over,” she said. “Although I’m in heels, I can carry heavy stuff as well. We see them in kitchens and dirty places, so they have seen me in shorts and sneakers.” She won over doubters with her old-fashioned customer service. “Being on call 24/7, knowing that I can be contacted even at midnight, they feel that sense of peace, and because it’s not only for one or two years, it’s been 10 years already, so people realise this girl knows her job,” Nichol said.

MANAGING AND RESOLVING CONFLICT

Working in a family business and jointly managing it with her brother brought inevitable conflicts. When Nichol and Nicholas rebranded, they took their father by surprise by implementing everything at once without consulting him on the detail. She said he and the other senior family members were shocked initially but agreed to let the results speak for themselves. Six years later, the company has doubled in size. Nichol said consulting her father and constantly reassuring him that she

had the best interests of the company at heart was important. “I will sit my dad down and will share with him: ‘ok, this is what we’d like to do, why we’re doing it, we all want the best for the business’,” she said. “The way we do it, the way we get to that end point might be different but we must understand one thing is that our heart is with the business, that’s important. The other way she has chosen to resolve conflict is to maintain a constant social discussion about the business. “Usually once or twice a week, we have dinner with our parents, so my brother comes along, all the extended family, everyone and then we’ll talk over dinner in a more casual setting and share with him certain news over dinner,” she said. “You buffer it versus saying you are in the office where you are more apprehensive about it. Usually that’s how we solve the conflicts.” Between the siblings, Nichol said they have few conflicts so it is easy to get consensus on decisions. However, she said they had clearly defined responsibilities which help. “It’s about five, six years since we have worked together and it’s really been great,” she said.

GOVERNANCE

The delineation of responsibilities between the co-managing directors is at the heart of the firm’s governance. However, Nichol said it was not a documented governance system. “We have our own unspoken rules in terms of how should decisions be made, between me and Nicholas, we define our responsibilities quite clearly and I think that’s the first rule of the thumb. Secondly, we do not step over each other in those areas especially. And if there’s anything that’s really crucial that needs to be discussed, we’ll make sure we discuss about it first and then we come to a consensus,” she said. As the business has grown, they have implemented management policies which form part of their governance regime. “Especially HR policies, increasing the benefits for the staff, simple things like leave, and making sure that every single person has leave,” she said. “In the past, the older folks, the old uncles that worked for us, had no

leave. When I first came, I said how can you have no leave? It's to make sure that everyone has coverage, everyone has a contract, simple things like that," she said. Working in food services, the firm has strict governance when it comes to hygiene and safety and works closely with government and standards agencies to ensure that they carry the highest compliance ratings.

At the board level, Nichol said she considered her father and uncles as an advisory panel, even though she and her brother were sole directors of the company. "We still go to them, we seek their inputs on some matters," she said. "The ultimate person to sign on the dotted line would be the both of us. I think after these couple of years, my uncles and my dad kind of accepted that and it's a good thing because if there's any responsibility, it's on our shoulders and not theirs."

COMPENSATION AND EQUALITY ISSUES

When Nichol and her brother took over FoodServices Inc, not only did they have to modernise the business and brand, they had to overhaul the remuneration system. The previous system involved paying very little in actual salary while large amounts of personal expenses were billed back to the company. "You don't know exactly know how much you are paying the director of the company," Nichol said. "What we did was to completely overhaul that, so we're all above board." She said now family members were paid like everyone else, based on capabilities and experience. "It's a proper breakdown. There are no grey areas."

ENTREPRENEURSHIP AND INNOVATION

Innovation has been at the heart of the FoodServices Inc brand story even before the company re-branded into its current form. The shift in the 1970s to supplying western foods was the second growth phase for the business after dominating the Chinese food supply chain. The modernisation and re-brand in 2007

was the third growth phase. Each had been successful. The latest re-brand has also positioned the company for the next stage, breaking the firm into distinct parts - wholesale, retail, logistics, and F&B consulting. "We are one of the few companies that still own our own logistics and we don't outsource it so we can also take in other people's logistics contracts if we require," Nichol said. "It's to show what we can do and what we're doing, as well as be clearer about it." The re-brand in 2007 involved some big risks, especially with the firm's colour scheme – which goes against the grain for a food company. "If you notice, not many food companies use black as their basic colour. So we use black, and a lot of people say: 'I see your trucks everywhere', but it's only because they are black that they actually take note of us a little bit more versus the other regular trucks." Nichol said it was a conscious, radical and fundamental marketing decision they took. "In the past, nobody really thought that because we are in the B2B business, they feel that you don't need to focus so much on marketing. But marketing is beyond just that you want to sell your product through retail or be a stand-alone shop or that kind of thing. It's important to have a presence and have an identity." The re-brand worked because not only did sales increase, FoodServices Inc was able to sign 10 partnerships with multi-national corporations on the back of it. Now Nichol and her brother are thinking long-term with their marketing. "We ask ourselves, hey, if we need to go for another 70 years or 80 years, how are we going to run that marathon?"

PREPARING FOR THE NEXT STEPS IN A FAMILY BUSINESS

That long-term thinking began from the earliest days the siblings stepped into the business and continues today. Their approach to change has been to take bold steps, beginning with the way they transitioned the business from their father's management to their own. "He didn't know," Nichol said. "It was like, the first of June, we decided to change everything, all

the invoices changed, everything changed, we prepared the memo already and we basically took them by surprise. They were shocked, very shocked." The family elders felt that changing the business so radically might scare away customers. But the new generation of management in Nichol and her brother asked for time to prove it could work. "I told my dad, give us a couple of years, just to prove to ourselves that this is the right step forward. Of course, there's always this old fuzzy feeling about the old family business name, we still keep it, the company is still there, it's just that it takes time to convince them." While sales have doubled, she said her father still needed convincing that they were on the right track, even today. One of the changes involved creating a range of house brands, which was a reversal of company policy. "They didn't believe in house brands, they said: 'oh well, we can just parallel buy a lot of things from everywhere, the cheaper the better and then we just sell'." She said the house brands were now doing much better than they would have previously. "Till today, we're still bickering about a lot of these little bits," she said. "It's a long and arduous journey."

SUCCESSION PLANNING

While in their 30s, the siblings have begun discussing the next generation of management. Like many family firms, they have a strict ruling on partners joining the firm unless it is necessary. Nichol said it would complicate matters too much. Like their generation, they don't plan to induct their children into the business either, unless they showed a strong interest. "I've got a daughter and I've got a niece but unless the child really shows keen interest, that's one. And secondly, it's not a given that they will be entering this business at all. They need to go out and work and find their own area of interest. If there should be an opportunity and they are capable enough and they have the passion in the right place of course they are more than welcome to come in and slog it out," she said. Instead, succession at this stage is focused on building a

management team that can take over in 20 years time. "So maybe in our fifties, if we decide that we want to step back, there are other good management staff that can take over," she said.

CONCLUSION

If there is a secret to FoodXservices Inc's success, Nichol says, it is maintaining the passion for the company and industry. "Without the heart and soul into the business, I don't think we can get to where we are today," she said. "Even all the way from my grandfather's generation to where we are now, and the next person who is going to take over the next team, we require that passion in the business." Other lessons that she has garnered from a decade in the business is a constant willingness to learn new things, never forgetting the human touch and constantly evolving and innovating. "Currently, although we are not the largest food company in the market, it's to act as if we are market leaders and think 10 steps ahead," she said. "In a couple of years' time, that will make us different from other people." Applying this is FoodXservices Inc's '2020 Vision' to diversify into a complete one-stop food service solution. The goal is to be the first port of call for new food businesses offering consulting, equipment, furniture, insurance, and of course, food. "Basically, anything and everything that is food service related, we want to be able to service the customer."

Discussion Questions

1. When Nichol and Nicholas took over and rebranded their family business, they took their father by surprise by implementing everything at once without consulting him on the detail. In many cases, such lack of consultation may lead to deep conflicts between family members. In your view, how can newer generations of family businesses stamp their mark and yet gain the buy-in of their predecessors?
2. For FoodXservices Inc, the delineation of responsibilities between the co-



managing directors is at the heart of the firm's governance. But it is not a documented governance system and decisions appear to be made based on unspoken rules. Assess how its practices add to raising the bar on governance in general. Also evaluate the risks these informal arrangements may create for family businesses and how they could potentially mitigate these.

3. When it comes to remuneration, Nichol and her brother quickly overhauled the remuneration system and paid salaries commensurate with capabilities and experience. In some cases, such major changes in salary policies inevitably lead to conflicts between family members. In your view, how can such changes be managed well, avoiding the problems that family conflicts may arise?
4. FoodXervices Inc transformed itself in the last decade from its previous focus in the 1970s and 1980s into a successful and thriving business. Evaluate how Nichol and Nicholas have implemented their model of entrepreneurship and innovation and how other family businesses may learn from their experience.
5. Succession planning is often a difficult decision for family businesses. Discuss how you think FoodXervices Inc's model may be one that others can emulate.

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COMFORT DESIGN:

CHANGING WITH THE TIMES

“ Respect is the major part of how we are going to maintain harmony in the family business. ”

Bob Chew
Director, Comfort Design

“ We believe a lot in meritocracy over aristocracy. ”

Grace Shen
Sales and Marketing Director
Comfort Design

CASE OVERVIEW

This case study on Comfort Design examines how this successful family company handled the transition to a second generation of management after 34 years of operation. The study also examines how the firm managed to adjust to challenging market demands and competition by developing new niches. It looks at how issues such as dealing with conflict in a family business are handled when many family members are involved in management, adopting a remuneration policy that fairly rewards family and non-family members, and how corporate governance is handled. It also addresses the experience of handling succession and planning for the future, in terms of both innovation and entrepreneurship.

COMFORT DESIGN

Comfort Design was established in 1979. Today, it is a key player in the contract furnishing sector in Singapore. As contract furniture specialists, Comfort Design specialises in handling projects. They have an experienced team of client service professionals who provide start-to-finish services for their clients, from working with detailed design specifications

and cost analysis, supplying quotes and recommendations, to offering customisation, mock ups, delivery, installation and servicing.

The name Comfort Design is the main corporate brand, with a sub-brand, 'The Chair & Table People'. The decision to be known as 'The Chair & Table People' was a key development in the business as it sought to carve out a niche in Singapore's competitive furniture business. The company has a comprehensive range of chair and table products including both indoor and outdoor furniture, office, restaurant, home and children's furniture in a variety of styles ranging from modern to heritage.

Comfort Design has in-house carpentry, welding, spraying and upholstery departments. This is another competitive strength, enabling the firm's service to extend beyond the sale of chairs and tables, to fabricating customised items as well as providing stronger after-sales service. The company's main client base includes F&B establishments, schools, offices and government. They also export overseas, mainly to the Asia Pacific and Middle East regions. Comfort Design has a 27,000 square foot showroom on three levels of their corporate headquarters in Eunos in the eastern part of Singapore. In 2011, Comfort Design was awarded the Singapore Prestige Brand Award as well as the Enterprise 50 Award in 2012. They have also acquired bizSAFE and Greenguard accreditations.

MAKING THE GENERATIONAL CHANGE

Mr Richard Chew founded the firm in 1979 as a carpenter but quickly became recognised for his skills in interior design. In the early 2000s, the firm expanded to include the furniture wholesaling business and a few years later evolved into the chair and table business. That was also about when Richard, having built the initial foundations of the firm, handed over the business to his son Bob, who joined the

firm straight out of an Economics degree from university. “We went through that transformation of the business because, to be very frank, furniture wholesaling in Singapore is a sunset industry,” Bob Chew explained. “Everyone is importing directly from overseas so we needed to find a new idea. That idea, of selling chairs and tables, and to be very comprehensive in our range of products in Singapore for the chair and table offering is where we saw a lack in this industry. We went into it and it was a success”.

The success of Comfort Design now is being driven by Bob Chew and his wife Grace Shen. Grace joined the company before the couple married and is now responsible for sales and marketing. Bob says the first important rule for a family business is to have harmony between the various family members who are involved in the business. Setting specific roles for each family member in the company was the way they achieved this. “Grace is taking care of sales and marketing, I take care of procurement and the entire operation of the company, so we do not step into each other’s department excessively. In a sense, that would reduce a lot of conflict down the road and we are able to manage our company very efficiently in this way.”

Grace adds that there is useful liaison between departments. “We can still feedback on each other’s department, be it the logistics department, the servicing department etc. It’s just that after you feedback, that department head still has the final say as to how he wants to run the show. So the head is able to take pride in his work and its final outcome, so I guess that’s one reason why we are successful,” she said.

MANAGING AND RESOLVING CONFLICT

Managing and resolving conflict is critical to family businesses but Bob feels that in their case they were fortunate enough to have a good understanding of their family

dynamics. “We understand the character of each other very well and are able to use that understanding to our advantage. Moreover, we have lunch meetings every day. We gather for lunch but yet at the same time we share our ideas together, feedback on each department’s pros and cons, what are the challenges we faced during our daily activities, etc,” he said. “So as a team we sit down together, we brainstorm together and that transforms the dynamics of the company, whereby everybody is working towards a common direction to run the company efficiently.”

Joining the family and the family business, Grace admits that there were some adjustments to be made, coming from a different family background with different values and different ways of communicating. “For me it was a little bit different because I am very straight to the point. Whereas in the family, you tend to hint and beat about the bush a little bit. Because they believe in family harmony so you do not want to go too straight to the point too fast. So that was a challenge at first because I have to learn how to rephrase and restructure” she said. “It took time. I learned a lot from Bob, like the way he talks and how he would slowly beat about the bush then get to the point.”

“If we disagree, we always give each other space,” Bob said. “When we have a disagreement, we would just let it cool off first but maybe in the next few days we will bring it back to the table to have a further discussion, laying down all the pros and cons. And of course as a collective family, we come together to have a further consensus eventually. It is about giving each other more time, breathing space and then later come together as a family to decide and to set the direction for the company.”

Grace agrees that it is a good approach. “If you insist too fast, you feel that is a personal attack,” she said. “Actually if you think it through for a couple of days, you think big picture, less personal, so then for the good of the company you think, ok, you give in.”

However, as in every company, someone has to have the final say. At Comfort Design, it is Bob who has the last word on contentious decisions. “For every company, there must be a leader who is making the final decision. Otherwise, the operations and the direction of the company will not move,” he said. “So, of course, there must be a passage of time for everyone to sit down and to discuss together and eventually we need to strive towards a common goal. If that is not possible, I will be the one who will set the direction for the company and we will have to go towards this direction.”

For Bob, sharing a common goal was important, as is taking individual responsibility for it amongst family members. “We share the responsibility, whereby everyone will see that, as a family member, as a family business, this is my responsibility and as a collective team we go toward this direction,” he said.

GOVERNANCE

The principle of harmonious decision making applies to governance at Comfort Design where they adopt a consensus approach to setting strategy at the board level with the CEO deciding on any deadlocked disputes. “There is a lot of synergy around our family members, whereby we always look towards the direction that the directors of the company had set,” Bob said. The analogy of the dinner table is often applied. “All of us can contribute to the table and then, if it is not a consensus, the final decision maker will be Bob,” Grace said. “But, most of the time, because we have a common goal it is very easy to say this is our objective, our goal and then you know we can still continue.” Individual responsibility for executing policy within their own departments also delineates the lines of responsibility among family members.

COMPENSATION AND EQUALITY ISSUES

Comfort Design embraces the idea of

meritocracy in family and non-family remuneration. Bob said they were not a company where family members were paid the most money. “It really depends on who is able to bring something to the table; in terms of the responsibility that they have to undertake and what are they able to give into the company,” he said. “Every family member has a specific role in the family so with that we reward our staff and family members according to what they are able to give.” That applies across the company, even before Grace married into the family she was employed in marketing and sales based on her skills and experience.

ENTREPRENEURSHIP AND INNOVATION

Comfort Design’s transition to becoming ‘The Chair & Table People’ was an innovative entrepreneurial gambit that paid off in a very competitive market. The decision has created an ongoing culture of innovation and entrepreneurship because, like in the fashion business, the ranges of chairs and tables they choose to sell, need to be constantly updated. This involves a rigorous process of market research to pick the next hot fashion items in the home, retail, F&B and office furnishings market and make the right choices in terms of range and pricing.

“Our focus for the company was to be the most comprehensive chair and table offering in Singapore,” Bob said. “How we achieve that is basically we have to ensure that we are always on our toes. We need to make sure that we are bringing designs that are suitable for the market, what the market is lacking, what customers are wanting in today’s market. We always have in mind our customers’ perspective of their requirement. So, in this way, we are able to meet our customer requirement and we are able to make it a success for our company.” From the top down, Comfort Design learns from customer feedback and embraces criticism as an opportunity to do better. “I like to hear bad news from customers so then I can improve,” Bob said.

PREPARING FOR THE NEXT STEPS IN A FAMILY BUSINESS

The generational transfer at Comfort Design has been handled largely through the forward thinking of Mr Richard Chew, whose willingness to trust his son and the new generation of family leaders to lead the family business and allow them opportunities to learn from their mistakes along the way. "Respect is the major part of how are we going to maintain harmony in the family business. My dad is able to let go and let us run the company because we respect each other, not just as a father and son but as a director of the company," Bob said. "Also we know that if he lets go we are able to perform. My father is not someone who is very possessive in terms of getting his message across. He learns to let go and of course sometimes we make mistakes but his mentality is that once you make a mistake you learn from the mistake and that builds our character up ... to let us build a stronger team."

That is not to say the founding generation has stopped offering advice. "My father is able to lend a lot of experience in the company so as a collective we have an entrepreneurial spirit but yet our father gives us the experience that we will need in running the company," Bob said. The actual transition happened over time. Bob said it involved some "brain washing" but it was growing up in the business that really prepared him for the handover. "Since young, my father has been sharing with me about his company, about how he runs the business. So when I stepped into the company, he is always there to give a helping hand," Bob said. "That has enabled me to cruise along with him and to really understand how he ran the business and yet at the same time whenever I see there is a weakness in our company in the management, that's where I'm able to step in and assist him." The founder still watches over the company but has not retained the authority to make decisions. "He is able to see that we are working as a team for the good of the company," Bob said.

The inclusion of Grace in the company hierarchy is an unusual step as many family companies have spoken of rules forbidding the entry of in-laws into the business. Grace said Comfort Design welcomed her for her skills and qualifications. "We believe a lot in meritocracy over aristocracy," she said. "I bring a different skill set. I'm from business school. I specialised in sales and marketing so I can fit into the company as there is a lack in this aspect." She said the firm had also employed a financial controller from outside the family, going against the tradition of many Chinese-owned family firms. "The thing is, big picture wise, who is best to fit into the shoe, be it related or non-related."

SUCCESSION PLANNING

Bob and Grace have two young sons, a two-year-old toddler and a four-month-old baby, so they are not making succession plans immediately. However, they do not rule out a third generation taking over one day. "If they are interested, why not? If they are not interested, I guess we are okay as well," Grace said.

"Since our company is a successful company, there is no harm in bringing him (one of their sons) on board," Bob said. "If he is interested in the industry, if he is interested in running a business then why not." But he said that should not rule out a non-family member taking the reigns one day. "If there is someone who is capable in the company who is not a family member, we proudly, we sincerely welcome them to join the board to be one of the directors of the company. There is no issue on that. The common goal of the company is harmony within the company so that is very important."

CONCLUSION

Creating a sense of ownership amongst family members is the secret to Comfort Design's success as a family company, according to Bob and Grace. "Family matters the most. So it is about getting everyone satisfied in the company," Bob

said. "They have to feel that they have a sense of ownership in the company and I think that with a sense of ownership in the company, it works for all businesses, whether it is a family business or it is an MNC, corporate company."

Grace agrees. "I think a sense of ownership on the task they are tasked to do. I would say do not get too many family members into the business, it is good if each of them could have their own department to manage. So they have a sense of pride and ownership to it so that they feel that they are just not an employee but also this is my own business."

Discussion Questions

1. In managing and resolving potential conflicts in a family business, Comfort Design takes a consultative approach and seeks to influence family members through logical explanations and conclusions. If there are disagreements, space is created for all parties to cool down before tackling the issue again. Discuss how this model may work in other family businesses and how this can be managed efficiently.
2. Where governance is concerned, although Comfort Design adopts a consensus approach, the various departments do not tread excessively into each other's area of responsibility. Assess how these practices add to raising the bar on governance in general. Also evaluate the risks a goal of consensus building may create for family businesses and how they could potentially mitigate these.
3. When it comes to remuneration, Comfort Design embraces the idea of meritocracy regardless of whether an employee is a family member. In some cases, the idea of meritocracy as it relates to salary policies inevitably lead to conflicts between family members. In your view, how can such changes be managed well, avoiding the problems that family conflicts may arise.
4. Comfort Design made a decision to transform itself from its previous business into one focusing on becoming "The Chair & Table People". Evaluate how Bob and Grace have implemented their model of entrepreneurship and innovation and how other family businesses may learn from their experience.
5. Succession planning is often a difficult decision for family businesses. Discuss how you think Comfort Design's model may be one that others can emulate.

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CONTACT US

CPA Australia Ltd

1 Raffles Place
#31-01 One Raffles Place
Singapore 048616
T: +65 6671 6500
E: sg@cpaaustralia.com.au

Melvin Yong

General Manager – Singapore
T: +65 6671 6511
E: melvin.yong@cpaaustralia.com.au

Mark Loo

Member Services Manager – Singapore
T: +65 6671 6522
E: mark.loo@cpaaustralia.com.au

KPMG Services Pte Ltd

16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
T: +65 6213 3388

Owi Kek Hean

Deputy Managing Partner
Enterprise Markets
T: +65 6213 2623
E: kekheanowi@kpmg.com.sg

Irving Low

Partner
Head of Risk Consulting
T: +65 6411 8888
E: irvinglow@kpmg.com.sg

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