ASIAN FAMILY BUSINESS: STEWARDS OR INHERITORS?

The Different belief systems and practices within single Asian families and the confusion they create

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It is often said that the first generation creates the family business, the second generation that creates the family firm, and the third generation that creates the family organization. In an Asian family business (CFB), the traditional approach is for the founder (i.e. the first generation) to carve out a management team to see all of the children of the founder become equal shareholders among all of the legitimate heirs. In the CFB, the founder, who is typically also the elder member of the family, is essentially the father of the family. It is often said that the second generation do not really know what the father of the family is doing. What they do know is that, as long as the family is united, the family firm is united. But what happens when the founder is no longer around? Can the siblings work together as equal owners to continue the family firm?

Family governance expert, James Hughes, points out that: ‘The first generation is the only generation that notes that in his experience, the member who works closest with each other see themselves as an “Inheritor” or as a “Steward”.

TWO DIFFERENT PARADIGMS

What do we mean by a “Steward”? This term refers to a member of the second generation who wants to work together with his/hers fellow siblings to see the family firm continue under family ownership. The second generation is being under an obligation to pass on the family firm as a legacy asset to the next generation. To such a person, legacy is extremely important. A “Steward” is likely to be emotionally committed to the family business as a whole rather than their own business. They may also have an ownership in the family firm. In forms of family culture, a person who is a “Steward” has an inward-looking orientation. This means they tend to look in towards the family unit.

A person who is an “Inheritor” looks outward. This means they tend to look out from the family unit and they like their independence. By definition, the paradigm of a “Steward” is very different from the paradigm of an “Inheritor”.

Hughes further notes that in his experience:

Neither of these two paradigms is inherently wrong or wrong.

There should be no question of judgement or blame involved here.

You cannot command an Inheritor to become a Steward.

It is vitally important that all the siblings who are owners in the family firm can have “adult-adult” conversations about whether, as an individual, they see themselves as a Steward, or as an Inheritor.

It is often the relationship between individuals within the family that determines which of the siblings come out in this question.

WHERE THEY ARE ALL INHERITORS

If all the siblings see themselves as individual Inheritors, you know there is a little point in attempting to get them to work together as a family team. A family team and the skills required is not an aspect of the Inheritor paradigm.

If all of the second-generation owners see themselves as Inheritors, they may still decide to keep their shares intact together out of economic necessity, to fuel their financial growth. However, in this event they will be more likely to move ahead on their own while leaving the inheritance of out it because they fear that this will emply the family is not united. Accordingly the group stands.

A way to enhance this third scenario into a more positive light is to real that a healthy family firm is not only the balance the desire of the whole, but it means that the family firm is not comfortable with the desire to be the next person (whether is who the inheritors want).

Two Differenc...