Asia News

Asia’s family businesses face failure on conflicts

9 March 2012

Conflict is a significant issue for Asia’s wealthy families and a number of family firms may fail as a result of internal factors, according to consultant that provides family governance advice.

Christian Stewart, managing director at Family Legacy Asia (HK) Ltd. says Asia is controlled by family-owned businesses and a typical issue in the region is that it is very difficult to get the family out of the business. “The Asian family system, the family is more important than the individual and families are often hierarchical and the family system tends to be quite a closed system.”

Often, a lack of documentation on inheritance, succession and other issues results in feuds among siblings upon the death of the head of the family, Stewart says. Chinese family firms often fail because of ownership fragmentation.

Still, the life of the Chinese family firm can continue through the “recycling” of share ownership, he adds. “A key part of change when working with families is communication.”

What is essential to preserving family wealth is to have a process for joint family decision-making, that is, family governance, Stewart says. A family office should assist the family implement family governance, he adds.

Family offices can also help the family agree on a decision-making process, arrange family meetings and provide ownership education, Stewart says. “In Asia, you have to be respectful of the family hierarchy.”

The role of the client advisor when working with a wealthy family is to listen, seeking first to understand and ask questions, he says. Times of transition are times of anxieties for the family and the advisor’s job is to encourage principle-based thinking.

“The thinking is if you want family wealth to pass on from one generation to another, ownership is more important than management, the task of communication within the family is critical, it points to the importance of family governance, it points to the importance of how regular structured family meetings are carried out.”

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