



The Value Of Differentiation

“My son has just finished his university degree. I think it is time he should come and join the family business.”

Why Asian family businesses should allow their next gen to get outside work experience

I was having breakfast recently with an accountant from the UK and with an old friend from the trust industry in Hong Kong.

The trustee commented that she had a client who ran a family business in Asia who had just done the thing that many Asian father’s seem to do and called his son back from studies in the UK to come and start working in the family business.

The English accountant automatically said:

“What a bad decision – he should let his son make his mistakes somewhere else before he comes to work in the family business!”.

From an English or American perspective there are many good reasons why the next gen should go and get outside work experience before coming and working in the family business. However when discussing this issue with business men and women in Asia I do get a lot of resistance to this “Western perspective”.

Some of the explanations that I have heard from different families around Asia include:

- *“I need my sons there because who else can I pass on the work to.”*
- *“I need to make sure that my sons enter the business because if they decide not to join then how can the business continue?”*
- *“The best person the children can learn from is their own father or mother.”*
- *“They should learn their family values directly from the source – from their own parents.”*
- *“You need to bring them in early so that they can bond with the non family executives that in the future they are going to lead.”*
- *“If I don’t bring my son into the business now his cousins are going*

to be there and get established before he will have any chance”.

Other friends that I have discussed this issue with have basically responded saying that they have observed many successful second generation business leaders from Asian families who went to work straight after finishing their university and who have been successful in business and in their personal life. This leads to the most difficult Asian response to argue with:

“This is what my father did with me – are you saying I have not been successful!?”

I think that at the heart of the American thinking on this topic are the concepts of (i) adult developmental stages as articulated by Daniel J. Levinson in *The Seasons of a Man’s Life* (and later also *The Seasons of a Woman’s Life*); and (ii) the need to differentiate from your family.

The term “differentiation” comes from family systems theory, in particular from the family systems theory of Murray Bowen. It should be compared to the term “individuation” which is the term used by Carl Jung in his discussion of the adult life cycle. In simple terms it refers to becoming an autonomous adult - someone who can think independently for themselves. Someone who has the ability to separate “thinking” from being emotionally “reactive”.

Differentiation versus immaturity¹	
Immature self (dependent)	Adult self (differentiated)
<ul style="list-style-type: none"> • Connected to parents • Wants rewards now • Has no patience • Has no self control • Irresponsible • No self awareness • Does not care what adults think • Makes demands 	<ul style="list-style-type: none"> • Separate from parents • Works towards future goals • Has patience • Has self control • Takes responsibility • Is self aware • Concerned about what adults thinks • Respectfully expresses needs

Under Levinson’s framework for men, the ages of 22 – 28 is the stage of “entering the adult world” and if you can be independent of your family during this key period it is very valuable in becoming emotionally distinct from your family.

American culture is well understood to being an individualistic culture and Asian culture a collective culture. However is

¹ Source: *Family Business on the Coach*, Manfred FR Kets de Vries, Randel S. Carlock, Elizabeth Florent-Treacy, Wiley

the concept of differentiation relevant for Asian families? The answer to this question seems to be a clear “yes”, but perhaps with some modification. One Asian academic has written that she has found that “a healthy family system correlates with a healthy family business”.²

Is it important for business owning families in Asia to give their next gen the best chance to differentiate? While this does not appear to be intuitively accepted in Asia I believe there are some sound arguments why this is very important.

- First, many Asian families do believe in the concept of human capital and intellectual capital as being important components of the family wealth. To give your next generation the chance to become mature adults is an investment in human capital. An Asian father (or mother) thinking about whether to pull their young adult back from school and into the family business should ask themselves the question of which is more important to you? The good of your business or the good of your son or daughter? If you value the wellbeing of the next gen, give them a chance to find maturity away from the family.
- Second, while you hear of many

Asian families where the next generation successor came back straight from school and started working in the business and all went successfully, you also hear of cases in Asia where the successor later drops out and leaves the business – or they wait until the father has died and then they sell the business! Giving them that time away from the business so that they come back in as mature adults will likely mean the decision to join is a mature decision that they will not lightly go back on.

I have to admit that my first two reasons are still very American in logic. This leads to my third reason which I think is specific to the Asian context – and in particular to families with strong Confucian family values.

- The third reason then is that in many traditional Asian families, in families with a strong family hierarchy (“Confucian families”) the siblings often do not find it easy to work together collaboratively once ‘Dad’ has gone. The siblings carry over their birth order and family role ways of relating to each other into their adult working lives. The more differentiate one of the siblings the better their ability to define a new adult self, and a new

² Queena Lee-Chua

adult working relationship with their siblings. In short, the more maturity they will have in their interaction with their sibling partners.

So if you send your next gen away to get outside work experience first, and to give them a chance to differentiate away from the family business, when they come back they are going to be much better business partners with their siblings and it will give the family business greater immunity against family conflicts.

Christian Stewart

cstewart@familylegacyasia.com

www.familylegacyasia.com

About the Author

Originally a tax and trust lawyer from South Australia, Christian moved to Hong Kong 15 years ago. Three years ago, he formed Family Legacy Asia to provide independent advice to Asian families on family governance. In this role he acts as a process consultant to help family businesses in Asia work together, through facilitating family meetings and helping the family to prepare their own family policies and constitution. He also advises several Asian Family Offices on trust and succession matters. He acts as an advisor on several PTC structures.

Prior to founding Family Legacy Asia Christian was a Managing Director and the Head of Wealth Advisory in Asia for JPMorgan Private Bank for 6 years. In this capacity he was responsible for running JPMorgan's Asian trust business.

JPMorgan recruited Christian from PricewaterhouseCoopers in Hong Kong in mid 2002. At PwC he was a Partner in their Tax Practice specializing in estate duty planning and trust structuring and he ran their Trust & Private Client team.