GETTING THE EDGE

For potential successors, even the most prestigious formal education may not be enough to prepare them for the complexities of taking over a large family business or significant wealth. Private banks are trying to fill the gap.

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PHOTOGRAPHY **CORBIS**

The Education of the Children of Clovis (1861) by Sir Lawrence Alma-Tadema

COURTESY UBS / HSBC PRIVATE BANK / DEUTSCHE ASSET & WEALTH MANAGEMENT / CITI PRIVATE BANK / SINGAPORE MANAGEMENT UNIVERSITY

As wealth levels in Asia continue to rise, family businesses in the region – many just into their second or third generation – are increasingly looking to train up their successors.

While many heirs have already had a privileged education by the time they are ready to enter the workplace, there is a gap between what universities can teach and the skills needed to take over significant family enterprises and wealth.

Private banks and research institutes have stepped into this breach. There are now international awards for the best 'next generation' programmes, and in 2012, the Business Families Institute at Singapore Management University (known as 'BFI @ SMU') was established to serve the "educational, engagement and research needs as well as aspirations of business families" in the region.

"More business families today are relying on trusted professionals in management roles or using non-family advisers in helping with the transition to the next generation," notes Tam Chee Chong, regional managing partner for financial advisory at Deloitte Southeast Asia, in the foreword to the Asian Business Families Succession Research Survey 2013, which was conducted by BFI @ SMU with research sponsorship from Deloitte.

The nature of private banking in Asia has been "moving to focus on sustaining wealth across generations, as this is often the most important concern for the patriarch or matriarch," says Chris Marquis, managing director and head of private wealth solutions for Asia at HSBC Private Bank.

The bank commissioned a research study, "Tradition and adaptation in Chinese family enterprises", in 2009 to explore the challenges to continuity in business families.

The recent BFI @ SMU survey found that, among the 83 business families that took part (mostly from countries in Southeast Asia), 77 per cent of founders want a family member to take over their business.

But when asked about the challenges of involving only business family members in a succession plan, two-thirds of respondents cited "the next generation not being ready to lead and manage the family and the business". The same proportion identified the "lack of talent inventory among the next generation and identifying capable talent" as challenges that prevent business families from developing succession plans.

EXPERT GUIDANCE

Enter the wealth experts. UBS Wealth Management has been running training events for successors in Asia Pacific for more than 10 years. Its 'Young Successor' programme, a two-week course held in Hong Kong, aims to familiarise participants with the challenges they will face in managing the wealth they will inherit.

The programme covers topics ranging from asset allocation and risk management, to family governance, succession planning and entrepreneurship. Participants, who come from all over the world, are typically in their twenties and have a university education. "The feedback we have got is very positive," says Amy Lo, country head of UBS Hong Kong and head of Greater China at UBS Wealth Management. "Each year I have a long waiting list for the programme."

UBS also hosts an annual three-day 'Next Generation Leaders' event in Switzerland, aimed at successors in their thirties who have already taken over some responsibility for the family business. The event covers topics including ownership

responsibilities, board governance and how to manage family dynamics.

Citi Private Bank's Next Generation (NextGen) programme – which won *Private Banker International*'s inaugural award for 'Best Next Generation Offering' in 2014 – takes the form of an annual summer boot camp. First established in 2002, the programme is held in New York, London and Asia (where it alternates between Hong Kong and Singapore), and last year it launched a Dubai event for the first time. Successors to the bank's ultra high net worth (UHNW) clients are invited to attend, and each programme accommodates about 40 to 50 participants.

"We want to educate the next generation," says Kanagasabapathy Money (known as 'Money K'), managing director and global head of Next Generation at Citi Private Bank. "Make them more financially savvy so that they can make more informed decisions about their personal and family wealth and in their aspirations for the family business or entrepreneurial ventures."

HSBC Private Bank's Next Generation programme, which was launched in 2004, holds events in Asia, Europe and the Americas. (The most recent programme includes events in Macau, Geneva and Miami. They've also previously been held in Hong Kong, London and New York.) Marquis describes it as "a forum for networking and learning, where participants debate and interact with thought leaders and each other on topics related to growing, managing and preserving wealth in the context of the family business."

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The programmes are not purely a one-way process. "We also want to learn about the Next Gen – understand their characteristics, behaviours, motivations and aspirations, so that we can be better financial advisers to them and their families," says Citi Private Bank's Money. Similarly, HSBC Private Bank's Marquis says that the bank gets "direct feedback as to what really matters to the next generation, which helps shape the evolving content of the programme."

LEARNING FOR A NEW ERA

In addition to broader topics, Citi Private Bank's programme covers niche subjects such as capital raising, angel investing, and even purchasing art (mock auctions are held, in which young participants 'bid' for paintings). "This generation is mainly people in their twenties, and they like to be taught in a fairly experiential way. They like it to be hands-on, they want case studies and videos," says Money.

Reputation management and branding have also been identified as important. "Reputation management is particularly important," says Money. "In an era of social media, the risks are high."

Many growing first-generation businesses in Asia have not

FROM LEFT
Chris Marquis is the managing director and head of private wealth solutions Asia at HSBC Private Bank. Mark Smallwood heads franchise development and strategic initiatives for Asia Pacific at Deutsche Asset & Wealth Management.

OPPOSITE PAGE FROM TOP
Amy Lo is the country head of UBS Hong Kong and head of Greater China, UBS Wealth Management. Participants at a Citi Private Bank Next Generation session in Singapore.

yet expanded outside of the family's country of origin, so the programmes also provide valuable networking opportunities.

"It is something the participants appreciate very much – to be able to connect to other key families, not just in the region but globally as well," says Lo. "Some of the very early participants [in UBS successor programmes] tell us they are still gathering together and some have even become business partners," she adds.

"The families that we serve are becoming increasingly global and our programme is reflective of that," Marquis says. "We are encouraging participants to join sessions in Asia from other regions in the world."

UBS Young Successor programme participant Queenie Rosita Law gives it her seal of approval. "Meeting very similar-minded people or people who are going through the same situation means that we can guide and provide support to each other in the future," she says.

Much of the content of these programmes is designed to help groom successors to take over the family empire as well as manage their wealth. However, only around a third of successors actually want to run the family business,

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CLOCKWISE FROM ABOVE
UBS Young Successor participants visit the Crossroads Foundation. Annie Koh is the academic director at Singapore Management University's (SMU) Business Families Institute, and vice-president for business development and external relations at SMU. Money K is managing director and global head of Next Generation at Citi Private Bank.

according to Money. The same proportion wish to branch out as entrepreneurs in their own right, he adds, while the remainder hope to follow a different career, such as doctor, lawyer or banker.

Queenie Law is an example of a successor who wanted to start her own enterprise. In her late twenties and educated in both Hong Kong and the UK, she did not simply want to take over her family's property development business. "I have always been very clear that I wanted to do something on my own. I am a very creative person," Law says. She recently launched her own production company.

Still, Law found the UBS Young Successor programme to be extremely valuable by helping her develop broad skills. "The programme was a great way to prepare myself to be a leader. I learned how to build a great team and how I can take my own vision and turn it into reality," she says.

The programme also helped Law realise that she may be able to use her talents in her family's business after all. Since completing the course, she has become involved in the marketing side of the family company.

LONG ROAD TO SUCCESSION

In Asia, many founder tycoons in their seventies or eighties are still actively involved in their businesses. The BFI @ SMU survey found that 62 per cent of founders believe the current generation should only transition out of management control when they are in their seventies.

"When people talk about the next generation, they think of 20-year-olds. But actually, the next generation of ultra high net worth clients in Asia are in their forties and fifties," says Mark Smallwood, head of franchise development and strategic initiatives for Asia Pacific at Deutsche Asset & Wealth Management.

While the bank runs next-generation information and networking events in New York and Switzerland, it does not hold similar events in Asia, instead opting to meet with clients individually to bring the scope of its global banking

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services to their attention. "By virtue of being from entrepreneurial families, they [successors] are very proactive at learning themselves," says Smallwood.

The next generation of UHNW clients in Asia are "already very well-versed with private banking needs and they don't want to sit in a classroom with 20 to 30 other people," contends Smallwood. "They are far too busy for that and far too private."

According to Annie Koh, a professor and academic director of BFI @ SMU, it takes five to 10 years to train up the next generation, but the whole succession process can take close to 25 years.

"To many of the current generation leaders, the most important success factor is willingness to learn," Koh says. "The skills can come over the next five to 10 years of learning. When we advocate the 25 years, it is advocating a journey of transition, developing the next-gen leader while getting the incumbent leader to let go," she says.

"The whole ecosystem and family culture should come together and make sure that the successor gets the opportunities to succeed with confidence."

GENERATIONS OF GIVING

There is strong demand for philanthropy-related learning across different generations. "A lot of the second generation and third generation want to give something back, but they want to do this in a professional, structured way," says Citi Private Bank's Money. HSBC Private Bank's programme also includes a philanthropy component.

UBS Wealth Management launched its 20/20 Social Impact Leaders Group in Asia in 2014. The initiative aims to nurture emerging leaders in philanthropy and social investment by providing expertise and resources, as well as helping with potential collaborations. "It is very exciting," says Lo. "Many clients have asked if they can send their children. We are looking at expanding it outside of Asia to make it a global organisation."

Philanthropy has a longer history in North America. New York-based 21/64, a nonprofit organisation that helps the next generation engage in philanthropy, was established 13 years ago. Initially funded by Canadian-American billionaire and philanthropist Charles Bronfman (an heir to the then family-owned Seagrams liquor empire) with his late wife Andrea, it provides consulting and other services to families and advisers.

It has established several initiatives, including 'Grandstreet', a network for individuals aged 18 to 28 who are, or will be, involved in their family philanthropy one day, and the #NextGenDonors retreat, based on its experience working with 21- to 40-year-olds.

The retreat is designed to enable next-generation donors to become strategic and effective in their philanthropic decision-making, expand their network and inspire them to take next steps in their own giving, says Danielle Oristian York, director at 21/64. For participants, it is "values, not valuables" which motivate them, she says.

According to York, training up the next generation should not simply be about preparing successors to take over the family's business reins. "Our goal for a family is to be able to see that 'involving the kids' does not only mean adding children to an existing system, but rather shifting the family paradigm to become multigenerational – embracing what each generation brings to the table," she says.