

# GOVERNANCE IN THE DIGITAL AGE

Navigating the digital economy often means that a succeeding generation of leaders needs to be equipped with the right skills to survive

BY JONATHAN HO

**I**N AN age of rapid technology development, family businesses – which may have been in their industries for a long time – are finding themselves besieged on many fronts. Besides the traditional concerns around business costs, there is the challenge posed by a slew of new startups which aim to disrupt existing businesses and ways. There are also concerns about how to serve customers in an increasingly “switched-on” economy which never sleeps.

And there is also the need to manage compliance with an ever burgeoning number of regulations surrounding everything from good governance to cyber security, privacy and preventing data-loss.

It is a multi-faceted challenge, and family-owned businesses will have to invest in the right people, put in place living governance structure and plan for a sustainable business.

## DIGITAL-FIRST APPROACH

Consider some of the largest and most recognised brands such as Samsung, Ikea and L’Oreal which are among the most innovative in their industries. Theirs was a result of the stewardship provided by many generations in the family businesses.

Navigating the digital economy therefore often means that a succeeding generation needs to be adequately equipped with the right skills to survive.

While many family companies have governance practices in place and are subscribing to benchmarks used by corporate counterparts, the desire to keep the business within the family can limit the inflow of new ideas and talent so vital to future growth.

Increasing the digital quotient within a business should therefore be aligned with business plans for growth, governance, succession and sustainability of the business, and not take place in isolation.

Good governance therefore remains important, as it guides a family business into the digital age while managing the unique family component that family businesses operate with.

For instance, Sing Lun Global takes grooming the next generation of leaders seriously by empowering them to make decisions instead of simply taking directions from the boss. For example, the company has engineers on the manufacturing shop floor who constantly think how to use less manpower.

Said Mark Lee, its third-generation leader: “I always tell the team, you are not a manufacturer. You are a consultant. If you (engineers) give us something, we will tell you how many man-hours must go into making it. We sell you the entire cost structure divided by minute cost. We sell you time and process innovation helps to cut time.”

## PROFESSIONALISM CAN GIVE A BOOST

Many family businesses in Singapore are conscious of the need

to professionalise their operations but struggle with how much control of their enterprise they should cede.

A study by KPMG in Singapore and CPA Australia found that almost half of 100 family businesses surveyed say that professionalising their business was a pertinent issue. Many prefer to prioritise business performance to remain competitive, ahead of keeping family control.

Some business owners also suggest that they will need talent with the right knowledge and experience to grow their business especially in the digital economy, and they are looking beyond their family members for these capabilities.

A professionalised structure can also increase the business’ credibility with its business partners. It can typically ensure equitable treatment for both family members and outsiders.

Putting in place a living governance structure should be the first step to ensuring consistency in managing a family business facing a digital future.

## INCULCATE A CULTURE OF INNOVATION

The presence of innovation champions is essential for family enterprises to grow beyond their core business. Pushing new ideas is hard, especially in a traditional Asian family business environment.

One possible solution from our experience is for family businesses to appoint an “innovation champion” who can experiment with new ideas and models using the family’s resources. Furthermore, innovation cannot occur in silos – an innovation culture must be ingrained into the company culture.

Our report *Family businesses in a digital economy* found that many family businesses have a “closed ecosystem” where idea generation falls to a few individuals, with some 66 per cent citing that only their management team thinks about innovation.

While the leader of the organisation is responsible for setting the tone for having an innovative culture, all employees will need to be part of the innovation process.

Employees should be encouraged and empowered to think about their job, about the products and processes that they touch – and how these can be improved and done more efficiently or differently.

Ultimately, implementing a solid governance structure as part of a company’s digital transformation journey will be especially important, as it will help to position the company for future growth. Without the right foundation, businesses risk failure in the long term – no matter how disruptive and innovative they are today. ■

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