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Where technological disruptors meet Asian family businesses

Rethinking next-generation leadership and career

November 2018

Forewords

p.03-04

At a glance

"Today's owners of Asian family businesses need to open up, embrace technological disruptions and rethink their businesses."

Professor Roger King, HKUST Tanoto Center

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Important information
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Foreword

Lombard Odier

At Lombard Odier we have survived generations of disruption and evolved into one of the world's leading investment managers, thanks to our "Rethink Everything" philosophy.

This year we celebrate the 222nd anniversary of Lombard Odier, which was founded in 1796 in Geneva and has had operations in Asia for over three decades.

Beginning a family business and sustaining one's family business interests for generations is the dream of many founders.

But managing the succession and transitions of any business is easier said than done.

Especially in 2018, when disruptors surround us, and the pace of change–and particularly technological change–never ceases to amaze.

At Lombard Odier we have survived generations of disruption and evolved into one of the world's leading investment managers, thanks to our "Rethink Everything" philosophy.

In commissioning this research, we wanted to think about what we–and our clients and partners–should do, to manage future disruptors.

After all, our common aim is to sustain our businesses for time to come.

We are extremely privileged and grateful to the many next generation family members who participated in this research, and three of whom graciously agreed to share as case studies their trials and tribulations as their family firms seek to sustain growth.

Today, Lombard Odier is a pioneer in managing client wealth and providing counsel on family wealth issues internationally.

Tomorrow, we do not precisely know how we will continue to stand at the cutting-edge but we know that we will continue to rethink everything and act as a pioneer in our field while always putting our clients first.

Vincent Magnenat
Limited Partner, and CEO Asia Pacific
Lombard Odier

Foreword

Tanoto Center for Asian Family Business and Entrepreneurship Studies
The Hong Kong University of Science and Technology

Are family businesses doomed?

In most developed and developing economies, family businesses contribute two-thirds or more of national employment and GDP. However, next-generation members often lack motivation and interest to take over these businesses. Talented managers find it less attractive to work for family businesses given the perceived glass ceiling in climbing up the corporate ladder. Family firms' business models also tend to be rigid and slow to change. As waves of technological disruption dramatically shorten the business cycle in many existing industries, it has become essential for family businesses to review their sustainability. The question is: how should such firms prepare themselves so as not to become "a thing of the past"?

As one of the global economic drivers, Asian family businesses face unparalleled pressure to transform their business models in approaching technological disruption. On the one hand, prior success factors, such as economy of scale and labor-intensive production, have quickly been removed by technological disruption, including 3D printing and robotics. Product lifecycles are becoming shorter and shorter, and the capability to make to order in a small quantity has become the new competitive edge. On the other hand, compared with their American and European counterparts, most Asian family businesses (with the exception of Japan) have existed for a shorter time and may carry less of a historical burden in sustaining the family legacy.

Thus, understanding how Asian family businesses respond to technological disruption is of paramount importance to sustain global growth. This study offers insights into how Asian family businesses should leverage their unique family advantages to build the agility and resources necessary to embrace such disruption.

The research also offers a holistic career planning paradigm for the next generation and their families. In addition to nurturing knowledge and confidence in their younger members, it is important for family businesses to provide a platform that can absorb and utilize the diversity of the next generation. Our observation of aspiring next-generation leaders in Asia is they all want to be a "horse"–like Jack Ma of Alibaba and Pony Ma of Tencent (*Ma* literally means horse in Chinese). Entrepreneurial families in Asia are indeed well positioned to provide resources for their next generation to pursue far-reaching opportunities and to create their own career paths.

I hope you enjoy reading this report.

Professor Roger King
Founder & Director
HKUST Tanoto Center for Asian Family Business and Entrepreneurship Studies

Executive summary

Technological disruption has wide-ranging impact on family businesses, creating a new challenge for their on-going existence as one of the longest surviving institutions in human history. Asian family businesses, as one of the global economic drivers, have taken a unique path in embracing this disruption. Through a survey of 119 Asian next-generation members and three in-depth case interviews, our study reveals key barriers that Asian family businesses face in dealing with technological disruption, as well as practices and strategies developed by next-generation leaders to keep their family businesses at the top of the game. We find several key connections between the career intentions of the next generation and responses of their family businesses to disruption, and suggest that the next generation and their families should co-create a boundary-less career paradigm to capitalize on the opportunities afforded by technological disruption. Asian family businesses show great potential for continuing their contribution to the world economy if they follow some of the findings emerging from this study. These insights should benefit not only Asian family businesses, but also those in other parts of the world.

Asia's disruptive technology landscape

- Asian family businesses are moving from awareness to execution in their response to technological disruption; they have yet to embrace deep transformation by integrating disruptive technology into their business models.
- It takes approximately 28 months for Asian family businesses to complete the entire technological disruption response cycle, from recognizing a new disruptive technology, devising a response strategy or plan, to executing the strategy or plan.
- Generation X takes longer to recognize a disruptive technology than Generation Y. Families should actively consider strategies to absorb diversity and their home-grown digital natives in their response to technological disruption.
- Asian family businesses lack aggressive and long-term resource commitment to manage technological disruption. They should refocus their natural strength of long-term orientation, allowing patient capital to reap the benefit of this.
- Asian family businesses show a reasonable level of agility, embracing new ways of thinking and accepting changes to existing managerial and financial practices and structures.
- Asian family businesses use various forms of authority and structures to manage disruption, and they fare equally well. The important rule of thumb is: form follows function.
- Asian family businesses show low dependence on resources from external capital providers in relation to investment in technological disruption, clearly indicating their concern about control dilution. Major barriers to overcome include rigid mental models, emotional ties to loyal staff and existing assets, and standardized ways to scan and react to disruption.

Next-generation leadership in tackling disruptive challenges

- Break the control mentality and avoid entrenchment to bring in new resources and thinking; introduce institutional investors, private equity, or venture capital; establish wider alliances and partnerships outside their industry; engage external advisors wisely.
- Remain small and agile to explore and exploit opportunities as they arise. This can be achieved through corporate restructuring, use of family offices to invest, or by creating spinoffs or start-ups.
- Hold a clear vision of the role of technology in the business model; adopt/adapt technologies selectively to maintain the fundamental values of the family business; integrate disruptive technologies with your business model for deep transformation, if appropriate.
- Develop a keen circle of technological talents through education programs and start-up circles.
- Empower professional managers to lead from their strengths and count on them to move up the market with successful disruptors.
- Know your personal strengths, limitations, and aspirations. Exit is a valid and valuable option if well planned. Family business tenure should not be seen as a life sentence.
- Education, Education, Education! Learn the learnable.

Impact of technological disruption on next-generation career intentions

- Higher firm capabilities to respond to technological disruption might increase the next generation's intention to "come home" while lower firm capabilities might increase the intention to "break free".
- The conviction that the next generation can effectuate change in family businesses can motivate younger members to come home and contribute their talents in handling the disruption.
- Next-generation members with a high perceived ability to assume an expanded role in dealing with technological disruption may have a high level of career mobility–they could make use of their talents to lead the disruptive challenge as a successor, or as a founder of a new venture–or possibly even both.

Creating a boundary-less career for the next generation

- Families should seek to understand career aspirations and career decision motivations of the next generation and support, including financially, their career plans.
- The survey shows 36% of the next generation aspires to succeed their family businesses and lead the disruptive challenge.
- Findings indicate 34% of the next generation want to lead or work in their family businesses *while* creating their own ventures. Families should stop dichotomizing career options as "joining the family business" or "venturing outside". A boundary-less career, particularly a dual career as an entrepreneur and family executive, presents a real option to the next generation and one only offered by family businesses.
- Results show 47% of the next generation want to create their own venture. Families should grab opportunities to turn next-generation start-ups or spinoffs into disruptors, when such arrangements make a good case for success given the autonomous, low-cost nature of the new unit.
- Families should take reference from popular motivations of career decisions, including "realizing one's own dream", "continuing the family tradition"; and the low-hanging fruit of "earning a larger personal income". However, families should be mindful of potential generational differences–Generation X could be far less motivated by the factor of "being my own boss" than Generation Y/Z counterparts.

Introduction

Succession has long been a key focus for family businesses. Families as an enduring institution tend to think how they should pass down control and ownership of their businesses from generation to generation. However, the emergence of wide-ranging disruptive technologies is fast suppressing the business cycle. Parents can no longer borrow the family business from their children, as in the opening quote, because by the time they grow up, the business may have already vanished. The key question is: how should family businesses prepare themselves in relation to such disruptive waves so as not to become "a thing of the past"?

Disruption describes "a process whereby a small company with few resources is able to successfully challenge established incumbent businesses".[1] While leading firms invest a great deal in improving products and services for their most profitable customers, disruptors tend to address overlooked segments and deliver functionality fit to use at a lower price. As the disruptors prove their value, they move up fast and disrupt. A winning technology is an enabler in the disruptive game. Yet it is not the technology per se that matters, but how the organization, its business model, and people in the system recognize and then engage with the technology.

Compared with non-family counterparts, family businesses may have a different organizational logic, which can affect the uptake of disruptive innovation and adaptation. On the one hand, family businesses tend to take a long-term view on returns to technological investment and are willing to trade off economic benefits against socio-emotional goals, such as creating a high-flying career for the next generation. On the other hand, family ownership may invite unwillingness to cede power and control, making external capital and talent less accessible to family businesses. It is therefore important for families to know how to capitalize on their natural advantages while finding ways to minimize risks and threats from family ownership and control.

As the global economic driver of growth, Asian family businesses face unparalleled pressure to transform their business models in dealing with technological disruption. Prior success factors, such as economy of scale and labor-intensive production, have been disrupted in the knowledge economy. Understanding how Asian family businesses respond to technological disruption is of paramount importance to sustain the global growth.

The bigger vision and mission of Asian family businesses in their integration of disruptive power should not and can never be completed by a single generation of family entrepreneurs. It is important to see how next-generation members can lead amid such a disruptive environment, and how families can encourage their next generation to be part of the disruptive force. In essence, it calls for a deep understanding of how a family firm's response to technological disruption may affect the career decisions of next-generation members.

In brief, this study sought to address the following questions:

- How do Asian family businesses embrace technological disruption?
- What roles do next-generation members play in leading technological disruption?
- How can a family firm's response to technological disruption influence the career intention of the next generation?
- What can families do to kick-start next-generation careers leveraging technological disruption?

To examine these questions, a survey was conducted to collect a complete dataset from 119 Asian next-generation members coming from family businesses with different countries, sizes, and generations. In addition, three next generation leaders with a different career trajectory were interviewed to explore impacts of technological disruption on their career intentions (see the Methodology section for details). These allowed necessary trends to be drawn while maintaining thick descriptions of the issues on hand.

We don't inherit the world from our parents, we borrow it from our children.
Sioux Indians

[1] Christensen, C.M., Raynor, M.E., & McDonald, R. (December 2015). What is disruptive innovation? *Harvard Business Review*.

Asia's disruptive technology landscape

What and where are the disruptors?

Over **4** disruptive technologies	**94.1%**
on average have economic impact on family businesses	of family businesses surveyed have experienced or foreseen disruptive impact

Survey findings reveal that family businesses have experienced or foreseen economic impact by an average of 4.3 disruptive technologies. The top five disruptors are big data (60.5%), artificial intelligence or AI (52.1%), Internet of Things or IoT (48.7%), renewable energy (42.0%), and robotics (40.3%) (Figure 1). Technological disruption appears to have had a widespread impact across industries, with families increasingly aware of how these technological forces might displace an existing market or industry and produce something more efficient and worthwhile.

Over 94% of respondents said that their family businesses would be affected by at least one disruptive technology. This presented a strong contrast with a 2017 survey,[2] where over half of family businesses in Europe, the Middle East, and Africa indicated that they had not experienced any market disruptions. While technological disruption is not a unique phenomenon in Asia, it appears that Asian family businesses face strong pressure to transform themselves in the face of waves of technological disruption.

Moving from awareness to execution, with opportunities yet to be fully leveraged

Despite the salience of the issue, most Asian family businesses were not overly proactive (Figure 2). Close to 12% did not take any action with regard to technological disruption. Over 60% took steps to identify and understand the nature of technological disruptors, but only around one-third managed to develop a clear perspective on directions in their own industry, market, and business in relation to technological disruption. About 40% of family businesses had moved on and adopted disruptive technologies to develop new products and/or services. Yet less than 30% had gone through deep transformation by integrating disruptive technology into their existing business model. It thus appears that a number of Asian family businesses have gradually moved from awareness to execution, but opportunities are yet to be fully leveraged.

External advisors might help in the transformation effort. Yet only about one-quarter indicated that they had engaged outside expertise to manage technological disruption. This echoed what we have learned from the extant literature:[3] founders tend to avoid involving outsiders in strategic decisions due to their fear of losing control. However, as technological disruptors often emerge outside the boundaries of the firm and industry, failure to absorb external talent could reduce the likelihood of successful exploration and exploitation of opportunities. Such entrenchment could be an expensive lesson for firms facing abrupt environmental changes.

Who are the remaining 5%?

We analyzed survey findings where respondents said their family businesses were not affected by any disruptive technology. Among all the parameters we measured, they differed in only one: **the time taken to respond to disruptive technology**. These families took only three to 12 months to react, which was substantially shorter than the average of 28 months for all family businesses in our study. Apparently, these families do face disruption, but they have mastered the game, seen it as a norm, and perhaps turned it into a competitive advantage.

[2] Deloitte (May 2017). *Next generation family businesses: Leading a family business in a disruptive environment*.

[3] König, A., Kammerlander, N., & Erdes, A. (2013). The family innovator's dilemma: How family influence affects the adoption of discontinuous technologies by incumbent firms. *Academy of Management Review, 38*(3), 418-441.

Figure 1

Check all disruptive technologies that may have economic impact on your family business, now and in the future (Multiple answers to this question are allowed; % and number below represent responses per item; *n* = 119)

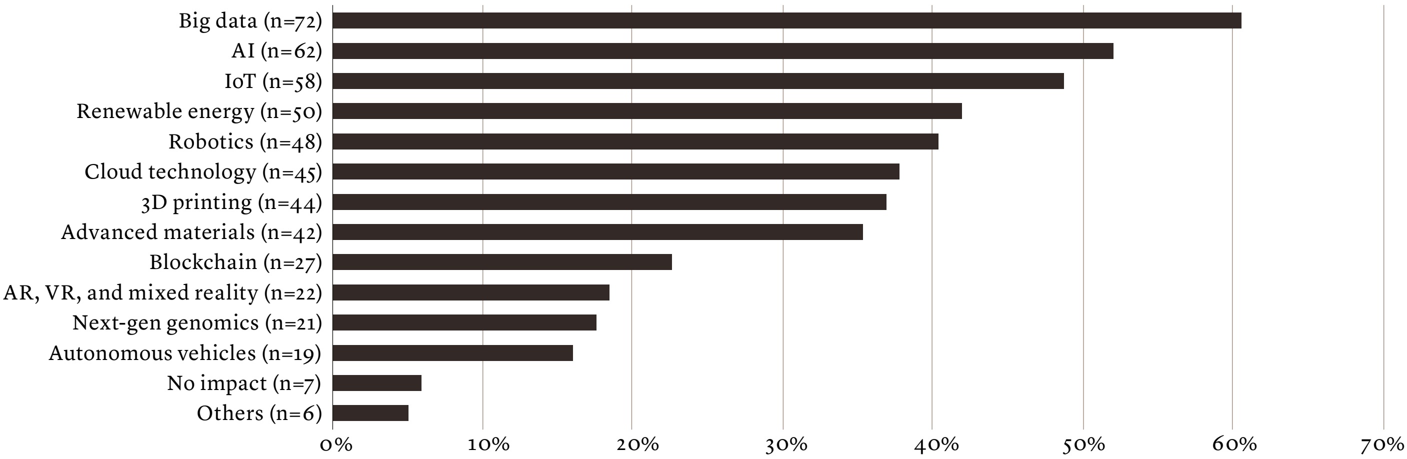
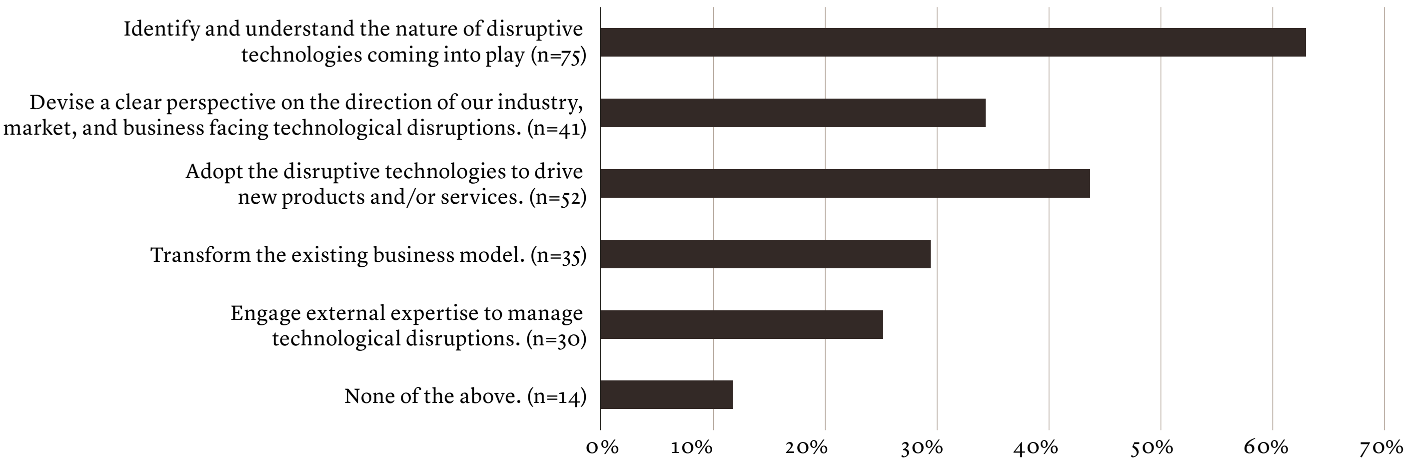


Figure 2

How has your family business responded to potential technological disruption? (Multiple answers to this question are allowed; % and number below represent responses per item; *n* = 119)



On average, it takes my family business ...

7.9 months (*SD* = 11.5)	8.0 months (*SD* = 7.3)	12.2 months (*SD* = 12.3)
		
to recognize a new disruptive technology	to devise a response strategy or plan to disruptive technology	to execute the response strategy or plan

N.B. n = 99; 20 outliners (entering all 0 and 100) were removed from the analysis.

Cycle of response

A family business took on average **28** months (*SD* = 26.7) to complete the entire cycle of response, from recognizing a new disruptive technology, devising a response strategy or plan, to executing the strategy or plan.

The required time in each stage of adaptation/adoption showed a high level of agreement with other scales in the survey, echoing the need for more time in strategy/plan execution and less time in coming up with the response strategy/plan and recognizing the disruption itself (Figure 3).

Divide between Gen X and Gen Y

The survey showed a major difference between Gen X and Gen Y respondents[4] in the duration of the response cycle, where Gen X family businesses took 43.5 months and Gen Y firms 23.5 months. Figure 4 shows the family business response cycles of respondents from these two generations. While other plausible explanations may apply, this indicated that Gen Y–digital natives–were well exposed to different technological disruptors, whereas Gen X might be less immersed in such an environment. Thus, Gen Y might have a natural advantage in quickly recognizing disruptive technology that might have an impact on their family business.
This explanation was partially evidenced in the significantly shorter time it took for Gen Y to recognize a disruptive technology than Gen X. Meanwhile, differences in strategy formulation and execution, despite being present, were not statistically attested. Given the potential value of generational diversity, families should actively consider strategies to secure their home-grown talents in responding to technological disruption.

[4] In this survey, we operationalize "Gen X" as those born between 1964 and 1978 whilst "Gen Y" between 1979 and 1993.

Figure 3: Speed of adaptation and adoption of technological disruptors

Please rate your agreeability with the following statements (1 = strongly disagree; 5 = strongly agree; *n* = 119).

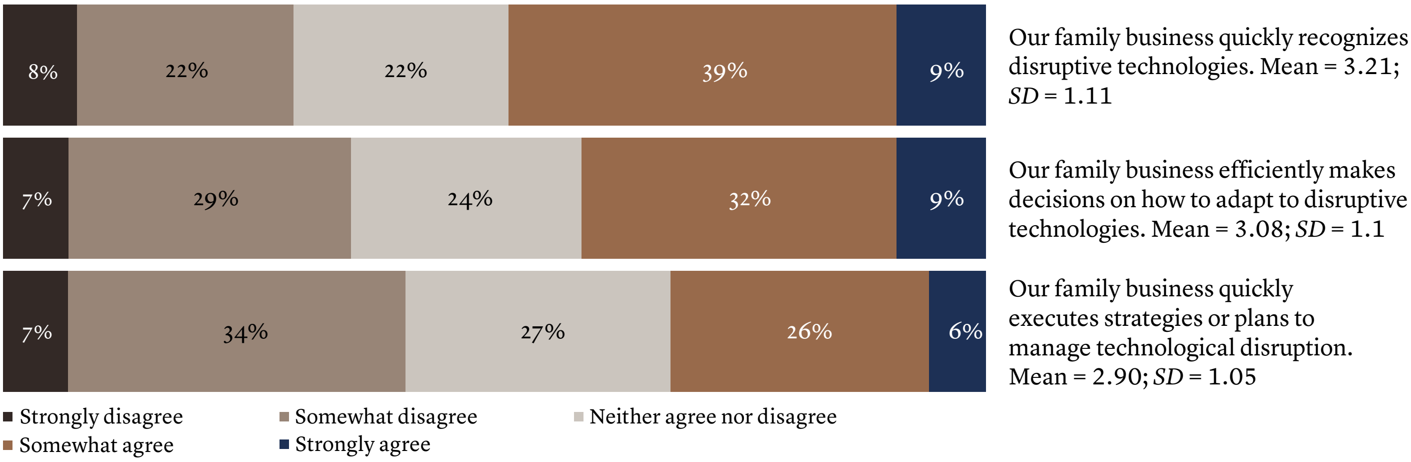


Figure 4

The response cycle of family businesses for respondents from Gen X (*n* = 25) and Gen Y (*n* = 60)

Lacking aggressive and long-term resource commitment

Family businesses in this survey were less inclined to commit substantial financial and human resources to adapt to technological disruption (Figure 5). The oft-cited family business advantages of long-term orientation and patient capital were not obvious in this study. One possible explanation is that, in family businesses, resources invested in disruptive technology are likely to be drawn from the resource pool shared by daily operations and other on-going innovation projects. Unlike other companies, family businesses tend to avoid seeking external funding, even when they spot a highly attractive project, so that family owners can retain control. Direct resource competition may disturb existing routines and internal politics, which make aggressive investments in disruptive technologies less likely. Family businesses should rethink their control mentality so as to look for new ways of raising capital.

Adaptation flexibility

Family businesses have often been criticized for being more rigid, given their desire to preserve harmony and stability among family members and long-time employees. However, family businesses in our survey demonstrated a reasonable level of flexibility in adapting themselves to the disruptive environment (Figure 6). They tended to perceive themselves as ready to incorporate new ways of thinking to help scan the environment, screen technological disruptors, and evaluate and strategize their importance. At the same time, they saw themselves as more readily accepting changes to existing practices, structures, and systems. They could be less tied to existing financial and managerial practices, and could behave differently from organizational routines. This might assist in navigating technological disruption.

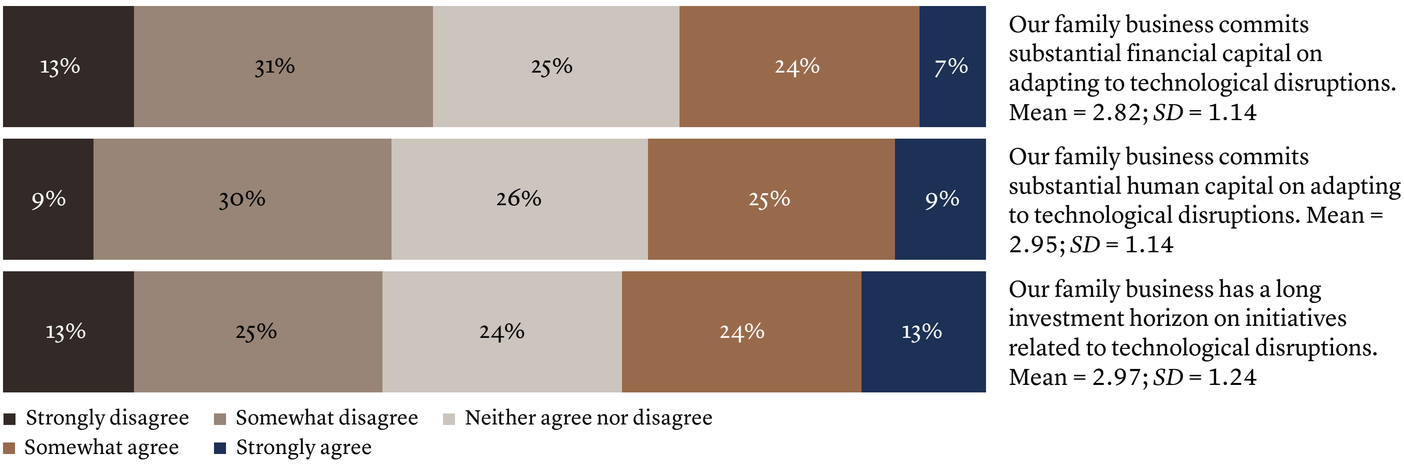
Restructuring to maintain agile leadership

Keeping flexibility and agility is often a challenge, especially when a family business grows in size and is passed down across generations. Founders' entrepreneurial zeal and professional management systems are often positioned as incompatible. Case interviewee Juthasree "June" Kuvinichkul, third-generation member of a Thai Chinese family-owned aluminum manufacturer, Alumet, initiated and led corporate restructuring to take advantage of these two apparently conflicting qualities. June set up Metta Group, a family holding company under which a growing portfolio of regional game-changing tech and contemporary non-tech businesses and investments operate alongside Alumet. The Metta Group currently includes Metta Tech, Metta Finance, Metta Heritage, Metta Green, and Metta Aluminum. Things are professionally run in each venture, but they retain their own autonomy while benefiting from the family's expertise as needed. Leading this transition from a family business to a business family, June has created her own place amid different technological disruptions.

Who is responsible?

The survey showed different forms of authority or structures being engaged to manage technological disruption in family businesses (Figure 7). At times, family businesses had more than one authority or structure focused on technological disruption, with such forms of authority or structures likely to divide responsibilities between different response phases. Overall, the top management team was the most popular authority, with over three-quarters of family businesses putting them in charge of relevant initiatives. Some 30% engaged their board in the process (likely in relation to firm-level decisions). About one-quarter brought their family councils into the picture; and just over one-fifth used external advisors to drive such initiatives.

Figure 5: Aggressiveness and stamina of resource commitment
Please rate your agreeability with the following statements (1 = strongly disagree; 5 = strongly agree; n = 119).



We did not observe any major performance difference in the response cycle, resource commitment, or adaptation flexibility, when different forms of authority or structures were put in charge of handling technological disruption. Yet it is noteworthy that family businesses engaging their family councils in the process showed better performance (though not at a statistically significant level) in most of the relevant parameters. Figure 8, for example, shows family businesses engaging family councils in their response took about the same time in identifying the new technology and devising a response strategy/plan. Yet they were more effective in executing the response strategy/plan, taking an average of 8.8 months to do so while family businesses not having/not engaging the family council needed 13.5 months. As the working governing body representing the owning family in deliberations on major business issues, family councils appeared to offer an edge in deploying resources when the decision to adapt/adopt a disruptive technology was made. In addition, in Asian family businesses, family council membership tends to show a high level of overlapping with the top management team. The alignment of decision and execution might secure a shorter execution time. However, this view needs to be treated with some caution as family councils were usually associated with larger family businesses that tended to have more resources on hand, which might naturally facilitate the execution itself.

Figure 6: Adaptation flexibility

Please rate your agreeability with the following statements (1 = strongly disagree; 5 = strongly agree; *n* = 119).

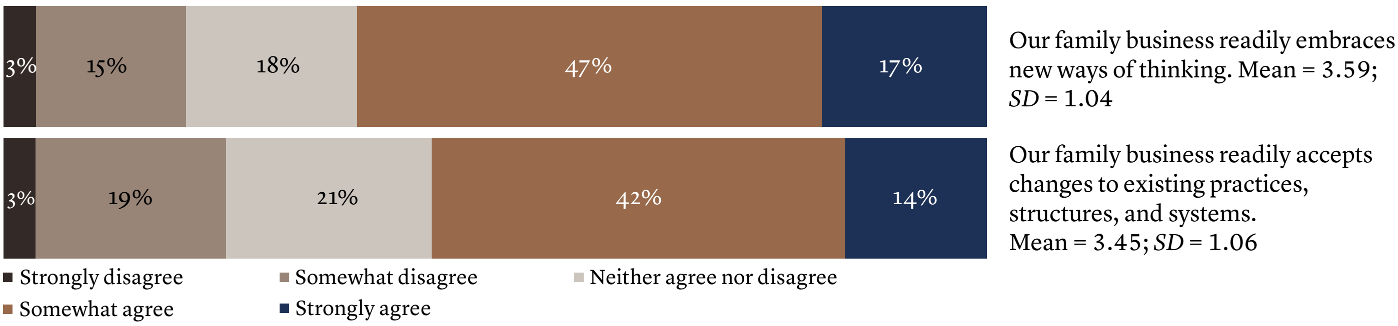
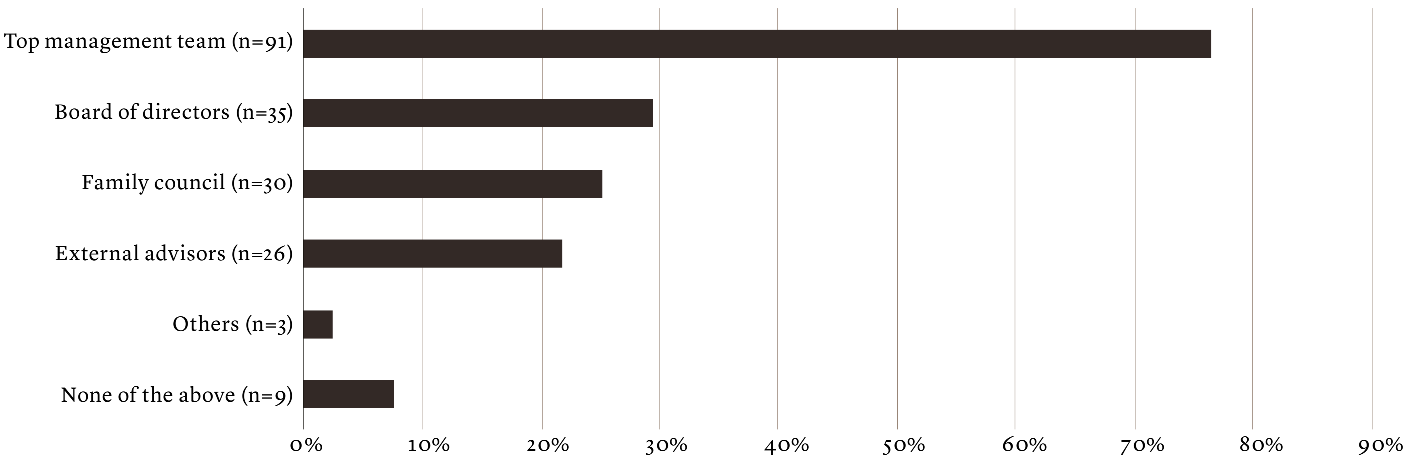


Figure 7

Which part of your family business focuses on disruptive technologies? (Multiple answers to this question are allowed; % and number below represent responses per item; *n* = 119)



Barriers to embracing technological disruption

We asked our family business respondents to evaluate factors identified in prior research,[5] which hinder the adaptation/adoption of technological disruption in family businesses. These factors include (i) rigid mental models; (ii) emotional ties to existing assets; (iii) formalization; (iv) political resistance; and (v) resource dependence on external capital providers–in descending power of impact (Figures 9 and 10).

While family businesses in the survey believed that they had a reasonable level of adaptive flexibility, when it came to management, it became a top challenge. In the view of next-generation respondents, top decision-makers seemed to be "sticky", with regard to their existing cognitive schemata–established perspectives, routines, and attribution styles. Their rigid mental models "could cause decision-makers to focus their screening efforts on 'local' developments...a pattern that is often associated with firms' late recognition of disruptive changes outside their narrow radar screens".[6]

Family businesses also indicated that emotional ties to loyal staff and existing assets could impede the adaptation/adoption of disruptive technology. Most Asian cultures have been informed by Confucianism, which highly values harmony and loyalty. While tacit knowledge and experience of loyal staff, developed through long tenure, could be highly valuable assets in normal times, they could become a liability when disruption emerged, with most technological disruptors likely to require a fundamentally different set of routines and capabilities to be successfully adopted.[7]

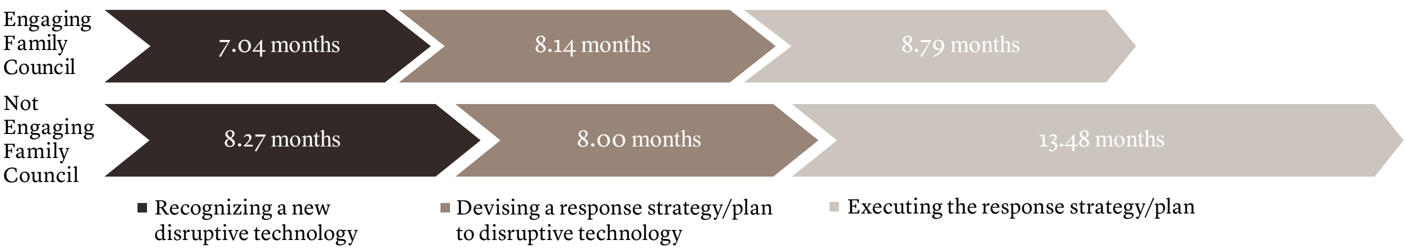
Family businesses in our survey saw formalization, the extent to which an organization uses standardized processes to analyze and respond to environmental changes, as neutral. They did not see their own family businesses as developing "structural inertia", which might obstruct the adaptation/adoption of disruptive technology. One possible explanation is, like most Asian family businesses, those in our survey had a relatively short history (mean years of operation = 46.1), and this tended to reduce the deep influence of formalization.[8]

Similar to formalization, family businesses did not see political resistance as a major issue for adapting/adopting disruptive technology. While family businesses can be a breeding ground for conflict and power struggles, family and non-family managers may not see key changes related to their status quo in the process.

Breaking formalization: understanding the role of technology in the business model

The threat of technological disruption provides ample motivation for any family business to think about transformative change. However, the case dialogue with Richie Eu, a fifth-generation descendant of the founding family of Eu Yan Sang, tells that one should only embrace new ways of integrating technology into the brand when stakeholders have a complete understanding of the existing business and its uniqueness. "Change is difficult," adds Richie, "but necessary." Holding a clear vision of the role of technology in the company's business model is one of the ways to break formalization and reduce resistance.

Figure 8: The response cycle of family businesses engaging family councils (n = 28) and those not engaging family councils (n = 71)



[5] König, A., Kammerlander, N., & Erdes, A. (2013). The family innovator's dilemma: How family influence affects the adoption of discontinuous technologies by incumbent firms. *Academy of Management Review, 38*(3), 418-441

[6, 7] Ibid.

[8] This argument was partially supported by statistics, where family businesses operated under 20 years showed a significantly lower formalization value than those running with a history of 61 to 80 years..

It is interesting to note that family businesses in our survey attached low importance to resource dependence from external capital providers. This might be because family businesses tend to raise funds from within the family to avoid control dilution. At first sight, this contradicted part of our findings: next-generation respondents in our survey ranked bank loans (mean = 1.87; 1 = most preferred; 4 = least preferred) as their most preferred source of funding for corporate growth, followed by seeking family funds (mean = 2.29), selling equity to institutional investors, private equity, and venture capital (mean = 2.88), and IPO listing (mean = 2.95). Considering the low-interest environment in the past 10 years, bank loans might be more accessible. However, with the progressive normalization of US and global interest rates, family businesses might have to review their strategies for funding investments in disruptive technology.

Family businesses can overcome these barriers in different ways, from personal development such as education, mentoring, and coaching to family/business development such as group facilitation and corporate restructuring. The next section will explore how Asian next generation actually lead through these disruptive challenges in their own settings, and how this might affect their career orientation and decisions.

Figure 9: Barriers to embracing technological disruption in family businesses

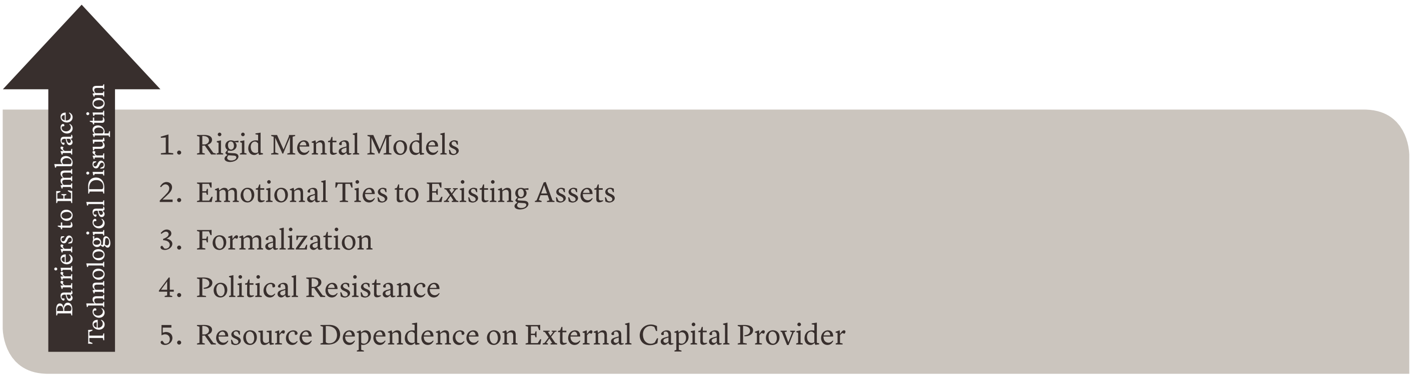
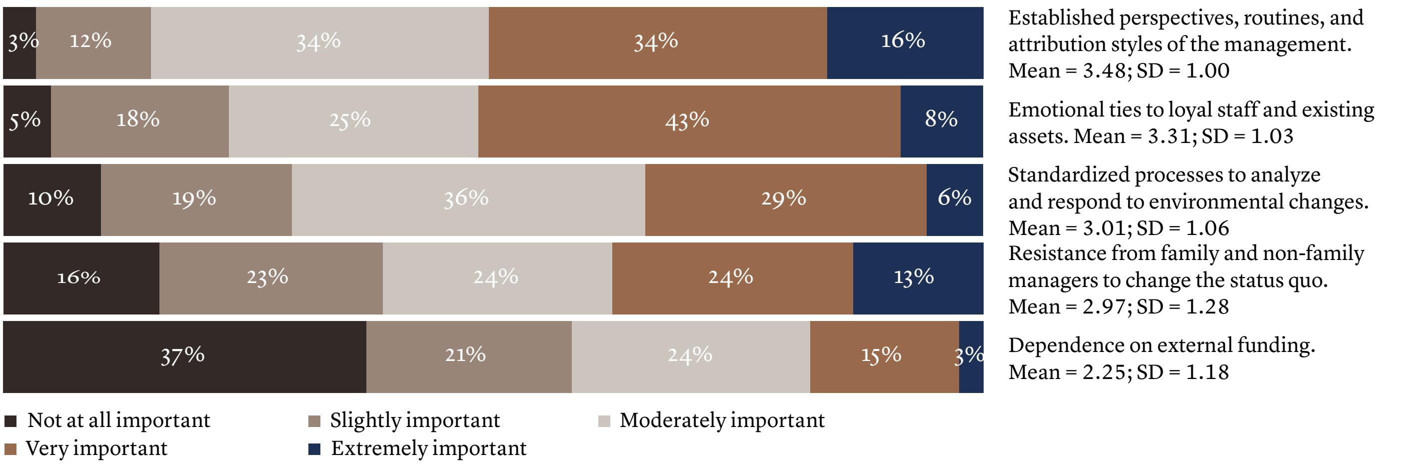


Figure 10: Aggressiveness and stamina of resource commitment

Please evaluate the influence of the below barriers for embracing disruptive technology in your family business (1 = not at all important; 5 = extremely important; *n* = 119).



Leading the disruptive challenges: A tale of three rising dragons

Richie Eu, a fifth-generation descendant of the founding family of Eu Yan Sang, explores how technology could impact consumer experiences and conventional businesses.

Richie Eu
Fifth-generation family member and descendent of Eu Tong Sen

While disruptive technologies are rapping at the door of many industries, they are currently only tapping tentatively at the doors of Chinese Medicine. As an industry populated by traditional units of measurements such as taels (37.8 grams) and catties (600 grams), Chinese Medicine's numerous herbs are formulated and dispensed to a person's unique characteristics, as well as a need to be adapted to respective market regulations. This presents both challenges and opportunities for change, especially with how quickly consumers have adopted technology amid all disruptions.

Past disruptor, present challenges

Eu Yan Sang already has a track record as a disruptor. Richie's father, Richard YM Eu, and his cousins took over management of the business in 1989. In the early 2000s, the company adopted a scientific approach to validate the quality and efficacy of Traditional Chinese Medicine (TCM) ingredients, and employed a comprehensive quality assurance procedure to carry out stringent quality controls from sourcing to extraction, manufacturing and distribution of TCM products. As a result, the company became the first Good Manufacturing Practice-accredited (GMP) Chinese Medicine company in Hong Kong and a front-runner in dosage-convenient pills, powders, and capsules. This success led to growth in major markets such as Singapore, Hong Kong, and Malaysia, with inroads into Mainland China alongside local partners, an associate company in Australia, and over 230 retail outlets in total.

For any business, however, the future challenge lies in how one embraces digital technologies in order to improve consumer experience and engagement.

Everyday tech potential

In Hong Kong, it is strikingly apparent how readily technology has been adopted by Chinese consumers. From contactless payments to live streaming, technology and its related platforms have permeated a high degree of one's lifestyle and decisions. Most retail and F&B outlets now boast contactless payment options such as WeChat, AliPay, and Union Express.

Furthermore, a number of supplement companies have boasted the use of artificial intelligence, personalized medicine and technology-related ideas in their business models but such changes will take time to measure and guarantee widespread adoption.

Richie Eu, Managing Director of Eu Yan Sang Hong Kong Trading, thinks that prioritizing which existing technology is an important first step: "We recently adopted contactless payment gateways across all Eu Yan Sang stores in Hong Kong...and staff feedback has been very positive." *This first step hopefully will lead to future decisions in technology adoption aiming to attract young mobile content-driven consumers to the brand: "In terms of platforms, how we show up online and which channels we choose to sell into... technology has a huge role to play in making these strategic choices."*

"*You have to consider what you would be giving up if you tried to 'technologize' everything.*" Richie noted. "Some consumers would entrust 100% of their lifestyle habits to technology. I'm not sure medicine selection is one of them. Technology for me has to be an enabler, not a short cut."

Century-old Eu Yan Sang and key steps it took to change the TCM sector

Familiness and sibling careers

After graduating with a BSc in Business Administration from Babson College in Massachusetts, Richie worked in Merger & Acquisitions in Asia for a UK-based private equity firm for three and a half years. During his time there, he realized it was important to pursue a career that he felt passionate about. This passion arose from a realization that Eu Yan Sang had untapped potential to produce innovative goods and services that care for mankind in a way that is purpose-driven, not just profit-driven.

However, Richie is the first to admit that he is "not a technologist", and is not versed in the latest and greatest technological advancements. However, as an "old" millennial, he views technology as a critical component to explore for the long-term health of any business.

One way is learning more through "familiness", or the pooling of familial resources.

Richie's first younger brother, Anthony, is a television producer based in both Singapore and California. His second younger brother, Chris, works at a venture capital firm in New York with a focus on health and education. His sister, Rebecca, who is the youngest in the family, has been running a not-for-profit organization in the Philippines for several years even though she is still a student.

"*They are constantly giving me feedback and ideas, not just as siblings, but as avid consumers of technology and digital platforms*"

For example, Chris contacts Richie on a regular basis with updates on technology-based trends that he has seen as part of his investment work. Recent highlights have included a company promoting person-specific "adaptogens", which are supplements that adapt to your body's needs depending on your environment. Richie views this as "*Chinese Medicine '101' which Chinese practitioners have based their foundational learning around*" but recognizes compelling product shots and beautiful user interface does help a lot to propel these new brands forward in terms of marketability and user adoption.

"*You have to consider what you would be giving up if you tried to 'technologize' everything*. Some customers would trust 100% of their lifestyle habits to technology. I'm not sure medicine selection is one of them. As a 140-year old brand, trust is the biggest factor we have built over generations of consumers. It's the hardest commodity to earn so we cannot take short cuts. Technology for me has to be an enabler, not a short cut."

Whatever is best for the business

Richie maintains that the threat of digital disruption provides ample motivation for any family business to think about transformative change.

However, he is of the opinion that one should only embrace new ways of integrating technology into the brand when stakeholders have a complete understanding of the existing business and its uniqueness.

"*Change is difficult,*" adds Richie, "*but necessary.*"

Three generations of the Eu family
(Richard YM Eu; Richie Eu; and Richard KM Eu)

For the third generation of a commodity-based Thai Chinese family business, bitterly divided in the second generation, restructuring of businesses to embrace the hi-tech start-up revolution and venturing into different industries has smoothed the way to realign, diversify, and bring peace among family members.

Juthasree "June" Kuvinichkul
CEO, Metta Group
Deputy Managing Director, Alumet
Executive Director and Founding Partner,
You Technologies Group
Founding Partner, Grab (Thailand)

When your traditional family business is focused on aluminum manufacturing in a world filled with the exhilarating business opportunities presented by technological disruption and the digital economy, how do you advance while keeping both earlier and current generations of your immediate family on board? And when the wider family is competing against itself, how can you leverage changing economic times to restore harmony? For third-generation Juthasree "June" Kuvinichkul, the solution has been to evolve her Thai Chinese family business into a business family by initiating and leading corporate restructuring to set up a family holding company under which a growing portfolio of regional game-changing tech and contemporary non-tech businesses and investments operate alongside the original endeavor. The Metta Group currently includes Metta Tech (e.g., Grab), Metta Finance (the multi-family office of 159 Capitals and YouTech as a fintech company), Metta Heritage (lifestyle brands), Metta Green (environment) and Metta Aluminum (e.g., Alumet). June and her two siblings all remain connected to the family group.

Unity not conflict

June viewed the new corporate structure as essential to transition her immediate family's interests into a business unit equipped to capture emerging opportunities globally and across sectors while retaining harmony and seeking to preserve wealth for future generations. Such a business model enabled younger generation members to engage in personal aspirations through founding or investing in businesses oriented to contemporary trends, such as Grab. It respected current second-generation wishes to retain Alumet (set up by June's father and run by her mother). Crucially, it enabled June's side of the family to exit the wider family aluminum business, started by her grandfather and father and shared with other relatives on her grandfather's sudden death without a will. The complicated family politics and rivalry between the original business, founded in 1980, and Alumet, established in 1992, fuelled great family tensions.

The HBS factor

Following a Bachelor of Economics degree at Thammasat University, two years as Business Development Director at Alumet (2004-05), three years as an aluminum commodity trader at Mitsubishi company in Japan (2006-08) and a brief return to Alumet as Deputy Managing Director (2008-09), June's road beyond the family business and world of aluminum opened up during her MBA study at Harvard Business School (Class of 2011). Indeed, it was project work undertaken during the program that helped her persuade her parents to reorganize and adopt the holding company structure. The HBS experience proved formative in many ways, providing wide-ranging financial and business insights, and sparking June's entrepreneurial interest. One developmental milestone was serving as an intern at a venture capital firm in Germany, which highlighted the potential of hi-tech ventures: "I was amazed how you could expand one start-up to 28 countries in eight months. I didn't know about this until I worked there. It was totally eye-opening." Another was HBS's emphasis on positive social impact alongside economic contribution, making June think about launching start-ups that could make a difference. Thirdly and highly significantly, HBS gave her a network of like-minded people in the Asian region to work together with as investors and partners. Her joint venture partner of Grab (Thailand) was Anthony Tan, an HBS classmate.

Embracing the disruptive world

The timing of June's HBS experience between 2009-11 kick-started her to becoming a disruptive technology frontrunner in Asia. US start-ups and social media were leading the way to hi-tech entrepreneurialism and this gained traction as a potential career among Asian next generation. It was also going global through 4G, mobile platforms, and young people such as June taking the concept back to their home regions. "We looked at what our classmates were doing–one was a co-founder of YouTube–and thought: 'Hey that's so cool! How did you guys do that?'" In testing out ideas at HBS (the original non-tech concept for Grab was refined into a mobile app start-up there), June built up solid understanding of start-up investment and entrepreneurship as well as fund-raising and how to approach high net worth individuals and families.

June's early investment in Grab came from her family, and it remains part of the family's portfolio. Her interest in Grab later extended from Thailand to cover other countries in Southeast Asia, with other partnering HBS classmates and investors in different locations, under one holding to avoid conflict of interest and to allow the most efficient capital structure. She is behind a new fintech venture, set up together with another HBS classmate and lodged under Metta Finance. She also came to the realization that tech was just a tool and "disruption" a fancy word for innovation. "There's nothing scary about technology. I come from a traditional business background and previously knew nothing about coding or tech. But when you immerse yourself in the community, everything becomes natural."

"There's nothing scary about technology. I come from a traditional business background and previously knew nothing about coding or tech. But when you immerse yourself in the community, everything becomes natural."

Third-generation vision

Regarding what to invest in, June employs multiple ways to assist decision-making–listening to approaches, talking to friends and people from various industries, participation in Bangkok Venture Capital, a club to screen deals for members–and includes tech and non-tech among the investments considered and made. In this, she is helped by her siblings who, unusually within the same generation, are all entrepreneurial. "Hence we don't just want to invest in companies. We want to help bring them up as well." June's older sister, also an HBS MBA graduate, looks after Metta Heritage, which derives from her interest in beauty products and Thai delicacies. June's younger brother, an Imperial College London graduate in IT and engineering, is in charge of Alumet. Despite being tied to the more traditional commodity sector at present, her brother also has a keen eye for investment and a supporting role in this capacity across the business units. June is also aware of the volatility of new enterprise investing. "That's why we invest in venture capital and tech companies as we always want fresh information. What people invest in today can be obsolete tomorrow. It's also why we don't want to lock ourselves down to any company or industry, or tie our name to any of them, but to diversify our assets."

Who's in charge?

Although June and her siblings feel comfortable in today's entrepreneurial and investment landscape, persuading the second generation to buy into the idea has been a slower process. The go-ahead for the move to a holding company structure with professional management teams to run the companies within the group was only the start of a long process of realigning the family's traditional endeavors, and June, as the middle born, was a good family negotiator. "Here's the irony. With new businesses we work on, or found, we can design them in professional ways and professional management can take care of them. But with the ones we've been working on forever, it seems we can't just tack on professional management. Thus, at first we thought the family restructuring would take a couple of years, which then extended to three years, now five years, and we still haven't finished!".

Difficulties can arise in relation to the legacy business to which June's parents feel great attachment, even down to detail such as a logo and its symbolism for the older generation. Methods of calculating investment returns in the hi-tech economy have also undergone a considerable transformation. But gradually over time and with the presentation of multiple examples, June said her parents understand and overall are supportive of the need for change. Past attitudes also do not apply to gender issues. Although their roles differ, son and daughters have chosen their respective paths. While June's brother has taken on most of the responsibility for Alumet, seeing himself as the most suited out of the three siblings for the job, June views this as an "obligation" and "sacrifice" rather than a privilege derived from being the only son. In terms of overall decision-making, though, the older order prevails. "My father is operationally retired but is still chairman of everything. My mother is still working actively. We do the core work and then ask for their approval."

Securing the future

With the idea of the Metta Group holding structure to sustain and extend the family's financial position over current and future generations, June sees more acquisitions and exits within the group ahead. Breaking the control mentality, the family is also instrumental in introducing institutional investors, private equity and venture capital, to widen the capital base and bring in new social and human capital. But June is adamant that the holding company itself will never be listed. Instead she views the money market as evolving in ways that can offer better multiples than the public market where "you may be forced to do things that as an owner you wouldn't do". She noted: "The scary part

The Kuvinichkul family

about being listed is your shareholders can just disappear." The family is also actively working on a family constitution and succession planning. There is no fourth generation yet as none of the siblings are married but the aim is to avoid the envy and suffering that politics caused in the wider family in the past. Meanwhile, establishment of the multi-family office is to help individual siblings and future-generation families in this quest. This includes encouragement of individual investment in new enterprises to give each member their own focus and financial resources, plus support services from banks and professional wealth managers, tax planners, risk managers, and others.

What is June's own goal? Despite her embracing of the hi-tech and innovation economy to diversify away from the original family business, it is intriguing to see how displacement is in fact being leveraged to strengthen a traditional Chinese business approach. "I've never thought about abandoning the family and going off to do a business myself," June said. "Anything we do goes to the family. Even when I don't use capital from the family at all, I still give back to the family."

A second-generation member of a leading IT information security provider seeks independence by selling the family business and heading into smaller cultural heritage hospitality ventures of his own

Terukazu Mishiba
Owner, Chasanraku Tea Room, Kyoto
Owner, Airbnb Accommodation, Kyoto
Minority Shareholder, LAC Co Ltd

No sooner than the latest system upgrade, algorithmic advance, or telecommunications standard is rolled out, then some human somewhere in the globalized online world is trying to breach it. Which means there is always work for a firm such as information security provider LAC Co Ltd. Indeed, LAC Co Ltd is one of Japan's leading companies in the field.

Despite this and the sector's cheerful prospects in burgeoning technological times, Terukazu Mishiba, eldest son of original company founder Gen Mishiba, has elected to take a very different career path from his late father. Rather than seeking to continue the family business, following his father's passing in 2011 without a succession plan, Terukazu sold most of his shares in the publicly listed firm and moved into the boutique hospitality sector by opening a high-quality Japanese teahouse and engaging in Airbnb.

Generation yo-yo

Why do this when LAC is a highly successful "of-the-moment" company? LAC helped to bring about technological disruption of traditional businesses when the adoption of computer systems took off universally in the mid-1980s by driving forward system integration services, and sales of information system-related products in Japan. It then gained an early-mover advantage by spotting the potential of IT system protection at the start of the internet era in the mid-1990s. Today, LAC is Japan's second-largest internet security services provider, used by government agencies, companies, and many other organizations.

Yet growing up in 1970s and 1980s Japan, Terukazu was positioned right in the middle of inter-generational changes in traditional family values; and LAC hadn't ever been his venture. After being bounced between customary and contemporary lifestyles, domestic and global outlooks, the need to respect direction from the older generation to freedom of choice and independence for your own children, Terukazu finally just wanted to go his own way.

"Ie" vs influence

Two generations earlier, Terukazu's grandfather had upheld the Japanese concept of "ie", referring to the patriarchal family structure and including the custom that the eldest son would inherit the "family estate". However, Terukazu's own father was the sixth child in that large household and did not absorb much sense of this tradition. In his own family, where Terukazu was the oldest of three sons, there was no indication of "ie". In fact, his father always stated that he did not want to have a family member involved in LAC. As the eldest son, he was not obliged to study computer-related subjects as part of his higher education. His two brothers did not go into family-business related career fields either. Yet, interestingly, at arm's length, Terukazu's father still appeared to seek to influence the direction of eldest son. If not within his own business, at least along similar lines.

Whose career is it anyway?

Terukazu's education was an early indication of how these old-new pressures crossed and impacted the generations. In 1988, at his father's suggestion, Terukazu went to China to study at the Language Institute of Peking University, widening his view of Asia. Following graduation in 1992, Terukazu himself then chose to study at a community college in the United States. Armed with knowledge of both Putonghua and English–and communist and capitalist thinking, he returned to Japan in 1995, where he initially worked for the Seiyu supermarket chain.

But such independence was short-lived, as age-old cultural habits of the older generation of a family directing the younger generation and the younger generation listening to the older generation–even as adults–reasserted themselves. By 1998, Terukazu had joined the US company Internet Security Systems (later acquired by IBM), again at the suggestion of his father, who was distributing the firm's products through LAC. The company wanted to set up an Asian headquarters in Japan to market its products around the region and was looking for a trilingual person, capable of communicating in Japanese, Chinese and English. When the company president asked his father if he knew anyone suitable, Terukazu's father suggested his son.

"I didn't build my career based on my wish or desire to do something. It was kind of the other way around," Terukazu said. Nevertheless, he worked hard, taking responsibility for all the company's business in Asia ex-Japan and staying for five years at the American firm. "As I had joined Internet Security Systems, I tried to do my best. Three years after establishing the Asian branch in Japan, it was listed on the Japanese stock market," he noted.

Terukazu was summoned to join LAC during a crisis in 2003. To accept responsibility for management issues in the company, his father stepped down from the role of president and became chairperson. In a culture stressing family leadership, this act was heavily criticized by their credit bank. In response, the family decided one member should represent the business. Terukazu was the candidate with the closest skill set and scope of responsibilities to his father. Thus, he was asked to leave Internet Security Systems and return to the family business.

Time for tea ... and Airbnb

After the trauma of sorting out LAC following his father's passing, including the sale of shares to other investors (current major shareholders include telecommunications giant KDDI and its subsidiary Cosmos Ltd, Japan Trustee Services Bank Ltd (Trust Account) and LAC Employees Stockholding Association), Terukazu started to think about a venture of his own, one completely different to the mainstream businesses of his past career. And LAC.

The move into Japanese tea was sparked when Terukazu spoke with an acquaintance knowledgeable in the area. It appeared to answer his wish for a venture with a less frenetic product cycle. "IT businesses are really difficult to maintain because of the fast evolution of technology. I wanted to do something with a longer timeline. Japanese tea can only be cultivated once a year so compared to IT and finance, the pace is much slower." It also incorporated his interest in Zen Buddhism, which had helped him cope with the turmoil stirred by the lack of succession planning in his father's business. "As the Japanese tea ceremony is based on Zen, I saw how the two ideas could be combined within a teahouse," he said.

In 2016, Terukazu launched Chasanraku in Kyoto. The sophisticated Japanese teahouse brought a taste of Japanese tea and culture together, finely represented in its tea ceremony as the origin of the Japanese cuisine.

The teahouse leveraged the unique position of Kyoto as the birthplace of Japanese tea. It was located just five kilometers away from Japan's first tea plant, and served the matcha, which made the city of Uji near Kyoto famous. Tenryu-ji, Japan's first Zen temple and its sect deeply related to the tea ceremony, was also a three-minute walk from Chasanraku, which has been related to monks trained in the temple. The effort that Kyoto puts into preserving traditional culture has made the tea ceremony a thriving legacy to the world.

Like Terukazu, the teahouse was multinational in outlook. He employed multilingual staff and a similarly internationally oriented website to attract visitors globally. Once the teahouse idea was underway, he decided to harness the hospitality experience of his staff by renting out the Kyoto house he owned (but did not live in) as part of the country's growing Airbnb trend. The house was conveniently located just behind the teahouse.

Minimalist management

Although Terukazu owns both businesses outright, he prefers to take a backseat in day-to-day operations, empowering his staff to look after the two ventures. For example, one employee previously worked for Softbank, a large Japanese mobile carrier, and is well capable of keeping the business up to date with the latest technology advances, he said. Another, who worked in a hotel for 10 years, drove the expansion into Airbnb. Terukazu sees his own major contribution lies in ensuring this team is the best for the job in the first place.

Techno-Zen

Intriguingly, while promoting Japan's cultural heritage may seem a world away from disruptive technological tendencies, Terukazu does see room for a modern make-over in the Japanese tea market, which hi-tech systems can help him bring to fruition. "Traditionally, Japanese tea is sold by major companies to supermarkets. But recent technological changes now make smaller sales of a variety of products possible online. I would like to create a business model for such a tea platform using internet marketing."

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Mr Terukazu Mishiba and his son

Useful current technology would include smart phone apps providing Japanese tea information and products, and learning tools such as videos, video conferencing and cyber classrooms. Human talent would include developers and system coordinators for improving apps, e-commerce expertise, and a person with the know-how to procure a variety of Japanese tea in small lots. On their own, these may not seem revolutionary moves. But combined with Terukazu's vision, there appears potential for a shakeup.

Who and what next?

In terms of his own succession planning, Terukazu crosses the generations in ways different and similar to his father. He says he does not consider his current ventures to be "family" businesses to be passed down to his son, his only child now at international high school in Switzerland. Moreover, Terukazu's wish for his son is that he "does whatever he likes to do". That said, he has suggested that his son does part-time work in the summer vacation in his businesses and said he would be happy to see him provide further input in the future, if the youngster chose to do so. Should his son not be interested, Terukazu would consider letting his staff buy out the businesses when he is ready to stop.

However, stopping is not currently in the tea leaves. In the next decade, Terukazu sees himself keeping the 3% shareholding he retained in LAC, which he believes to be a solid investment for the future, but still focusing on his Japanese tea business. In terms of growing the business, he has an interesting experiment in mind. He wants to expand without being too heavily involved. He seeks to be a good influence on his staff while managing to empower them. As a member of Generation Yo-Yo, he knows exactly how difficult this balancing act is likely to be. And the importance of succeeding for the generations still to come.

Planning your exit

Next-generation members may sell their family business for various reasons (Figure 11). While more than one-tenth of the next generation said they would never sell their family business, families should not regard such an event as impossible. Technological disruption is imposing a higher requirement on the next generation to succeed and reinvigorate the business. Even in cases where the next generation is capable of leading the family business through such disruption, selling could be for the good of "employees, for the society, for one's own family, and for oneself", as one survey respondent said. Given that business families in the region view ventures more as an investment portfolio, families should always sell when they cannot add value to the venture itself. Besides, families should prepare for the downside as well as the possibility that they will receive an offer that is too good to refuse. Exit planning is key and should always be part of the family business strategy and family council discussions.

Figure 11

Imagine you were CEO of your family business. Under what circumstances would you consider selling the business in its entirety? (Multiple answers to this question are allowed; % below is based on the aggregated responses; n = 185)

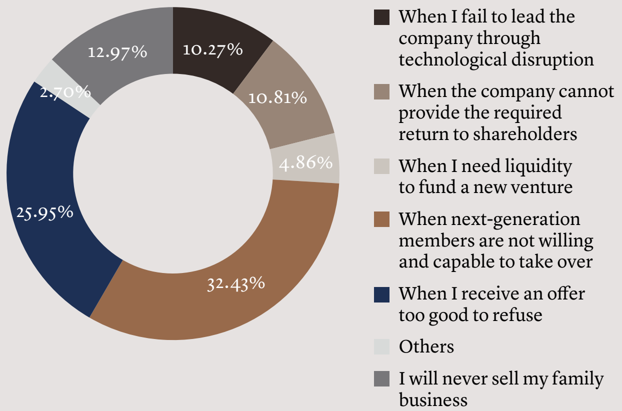


Table 1: Rising dragons' career intentions and the firm's response capabilities to disruptive technology

	Richie Eu Gen Y / G5 / Eu Yan Sang	**Juthasree Kuvinichkul** Gen Y / G2 / Alumet & Metta	**Terukazu Mishiba** Gen X / G2 / LAC
Year of establishment	1879	1992	1986 (Little eArth)
Products/services	Chinese Medicine	Aluminum manufacturing	Information security solutions
Major market(s)	Hong Kong, Singapore, and Malaysia	Thailand	Japan
Major new ventures	• Not applicable	• Metta Group (Metta Tech, Metta Finance, Metta Heritage, and Metta Green)	• Chasanraku Tea Room and Airbnb accommodation in Kyoto
Career choice	• Leading the family business	• Leading the family group with the restructuring effort in place • Accepted partial responsibility for legacy business	• Joined the family business and subsequently sold its majority stake • Founded new ventures
Career path prior to the current role	• Worked three and a half years in a UK-based private equity	• Worked in Alumet for two years after graduating from her first degree • Spent three years trading commodities at Mitsubishi in Japan • Interned in a venture capital firm in Germany	• Worked for the Seiyu supermarket chain in Japan • Joined US company Internet Security Systems in Asia • Returned to the family business in a management crisis
Formal education	• BSc in Business Administration, Babson College	• MBA, Harvard Business School • Bachelor of Economics, Thammasat University	• Studied at the Language Institute of Peking University and a community college in the US
Career freedom & sibling engagement	• High level of freedom with no obligation to join the family business • Richie as the first born represents his generation in family business; brothers are TV producer and venture capitalist respectively; younger sister still in university	• Relatively high level of freedom • Elder sister focused more on non-tech start-ups; June as the middle born led the family group and drove tech-related start-ups; younger brother led Alumet	• Relatively restricted in Terukazu's generation • No G2s expected to join the business, which the patriarch saw as a non-family mandate
Agility & resource commitment	• Demonstrated agility as a prior industry disruptor • A high level of family support even when members are not in the business	• Less contested with technological disruption for the aluminum business • Highly agile as a new entrant and disruptor in many other sectors under Metta	• Highly agile as a technology firm (LAC) • Talents seen as key for continued innovation
Key response strategies of the rising dragons	• Selective technology adaptation/adoption to maintain fundamental element of trust with customers • Held a clear vision of the role of technology in the business model • In the process of transforming the business model, using technology to make Eu Yan Sang an integrative health and wellness company	• Undertook corporate restructuring to explore and exploit opportunities as they arose • Introduced external investors and established wider partnerships outside the industry • Developed a keen circle of technological talents, through June's MBA study and as she immersed herself in the start-up circle • Brought in professional management to move upmarket for successful disruption	• Knew his personal strengths, limitations, and aspirations, allowing him to make a sharp decision to exit from LAC • Empowered professional managers to lead from their expertise • Held a clear vision of the position of technology in the business model
Family office & tech investment	• Set up a single family office, investing in tech and non-tech ventures	• Set up 159 Capitals, a multi-family office, to increase effectiveness of family management and investments in tech and non-tech space as well as to turn into another business under the holding as diversification	• Not applicable

Response capabilities to technological disruption and career intentions

How does the ability of family businesses to embrace technological disruption relate to next-generation career intentions? Table 1 sheds light on this in its summary of the stories of three "rising dragons". Family firms with a high level of agility and strong resource commitment to technological disruption appear to present an attractive career option for the next generation. In the case of Eu Yan Sang, the household brand had a track record as a disruptor; and coupled with the abilities of fifth-generation case informant Richie Eu, and his personal mission to sustain the family legacy, this resulted in a strong firm-to-person match. In companies where response capabilities to disruptive technology are not as substantial, as in the case of Alumet, the next generation may not see the family business as a launch pad for their career. However, if family owners are supportive of the next generation's endeavours, allowing resources for them to try their wings, such an approach may enhance sustainability. This can be seen in June Kuvinichkul's corporate restructuring effort, where she not only created her own place in the legacy business but also united the family through expansion into diverse sectors and areas of expertise. In addition, it is worth noting the use of single or multi-family offices by both the Eus and Kuvinichkuls. This is in line with more Asian families showing an interest in using family offices as a vehicle to invest in growth markets, such as the technology sector. The move opens up additional opportunities for families to engage the talents of next-generation members rather than tying them to the operations of sunset businesses.

Not all firms with the capabilities to respond to technological disruption can win the heart of the next generation. LAC, a leading online information security firm, clearly owned such capabilities. Yet case informant Terukazu Mishiba's exit signalled that parameters other than response capabilities also affect next-generation career intentions.

Higher firm capabilities to respond to technological disruption can increase the intention to "come home" (i.e., leading and/or working in the family business) while lower firm capabilities might increase the intention to "break free" (leading and/or working outside of the family business).

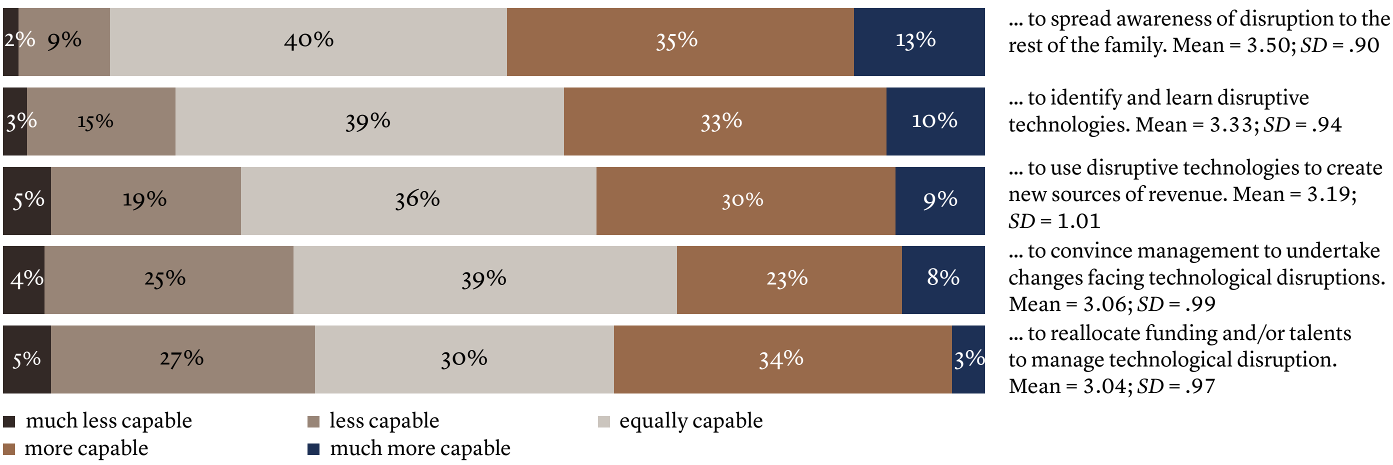
Among many possibilities affecting career intentions of the next generation, the study identified two factors related to technological disruption: (i) the next generation's perceived ability to assume an expanded role in relation to technological disruption; and (ii) their self-efficacy[9]–or conviction that you can achieve what you want through your behavior– in effectuating change in the family business.

Perceived ability to assume an expanded role in relation to technological disruption

When asked to compare themselves with their current business leader on skills required to ride the waves of technological disruption, the next generation tended to see themselves as slightly more capable or at least on a par with the current generation (mean = 3.22; *SD* = .73; 1 = much less capable; 5 = much more capable: Figure 12). They saw themselves as having an advantage in spreading awareness of disruption to the

Figure 12 Perceived ability to assume an expanded role in relation to technological disruption

Compared with the current business leader, I am ... (1 = much less capable; 5 = much more capable; *n* = 119)



[9] Bandura, A. (1977). Self-efficacy: Toward a unifying theory of behavioral change. Psychological Review, 84, 191-215.

rest of the family, an often neglected but crucial task in reducing levels of anxiety in the change process. As digital natives in the main, the next generation were also more likely to be exposed to different technological disruptors and in a better position to aggressively learn about the sector they found relevant and of interest. Similarly, given their familiarity with the digital world, they appear readier to commercialize disruptive technology to generate new sources of revenue. As indicated in the survey, the next generation largely saw themselves on a par with the current leader in terms of their ability to convince management to undertake changes related to technological disruption, and to reallocate funding and/or talents to manage technological disruption. In the Eu family case, Richie mentioned the challenge of persuading his father and his non-family CEO to adapt a new concept of investment and returns. June also faced hurdles in communicating calculations on technology sector investment returns. Having high perceived ability may also offer strong career mobility to the next generation. They can choose to go back to the family business, create a venture under the family umbrella or outside it, or if the family business is less progressive, they can step out and lead an external firm.

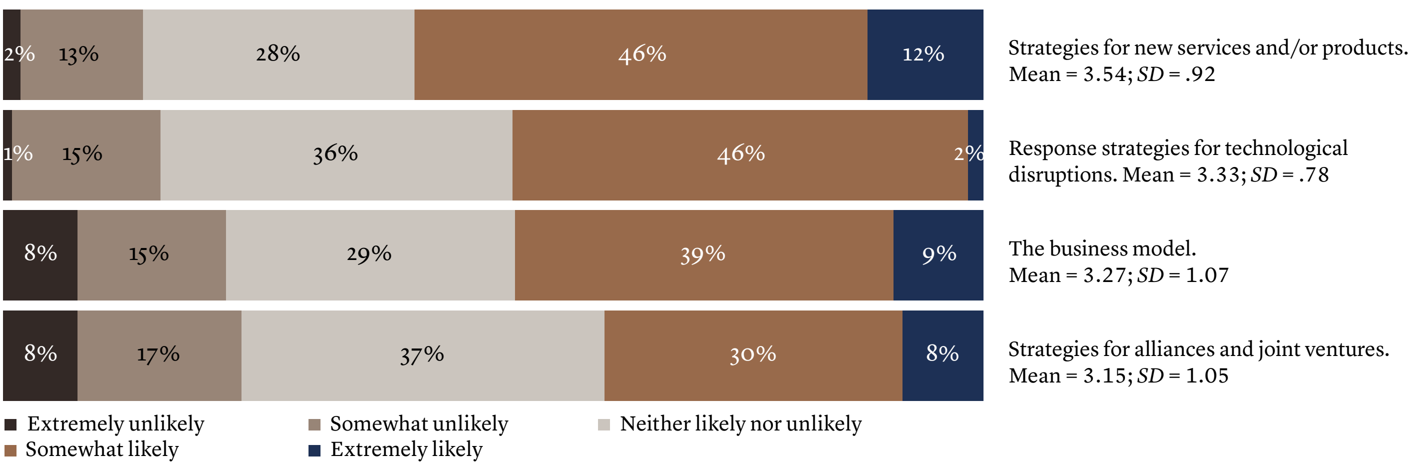
Self-efficacy of effectuating change in family business

Next-generation survey respondents believed that they were slightly more likely to successfully bring about change to areas which might improve the response of their family businesses to technological disruption (mean = 3.32; *SD* = .76; 1 = extremely unlikely; 5 = extremely likely: Figure 13). They felt most confident about changing strategies for new services and/or products, followed by response strategies for technological disruption, the business model, and strategies for alliances and joint ventures. However, this alone might not reflect the concept of self-efficacy, where factors such as whether the family business in question might need such changes and the difficulty of each change might also be relevant. That said, a higher sense of self-efficacy in making changes to their family businesses should encourage next-generation members to come home (which may include leading a venture funded by the family group) while frustration arising from an inability to make changes could drive them away.

Combining perceived ability to assume an expanded role in regard to technological disruption and self-efficacy in effectuating change in a family business, together with our case observations and initial data analysis, it seems that (i) highly capable next-generation members who perceive a high chance of changing the family business have a stronger "successor" intention, staying in the family business to lead disruption; (ii) highly capable next-generation members who perceive a low chance of bringing change to their family business have a stronger "founder" intention, where they may use their disruptive skills to create a new venture, whether they get funding from the family or not; and (iii) next-generation members not fully prepared for new roles involving disruption will have a stronger "employee" intention, where they work inside or outside the family business as an employee not a leader.

Figure 13 Self-efficacy in effectuating change in family business

What is the likelihood that you can successfully change ... (1 = extremely unlikely; 5 = extremely likely; *n* = 119)



Planning a boundary-less career for
Next-generation members in Asia

How should the next generation plan their career? How can an entrepreneurial family be part of this career development process? To answer these questions, it is important to understand the career aspirations of the next generation, motivations behind their career decisions, and resources for their career plans.

Launch pad for a next-generation career

In the survey, **36%** of respondents indicated that they wanted to succeed their family business as a leader (Figure 14), a figure that aligned with other studies in Asia.[10] The surprise came with the second largest group, where about **34%** of the next generation wanted to lead or work in their family businesses while creating their own ventures. The preference for a boundary-less career, in particular having a dual career as an entrepreneur and family executive, was insightful. Presenting career options as a dichotomy (joining the family business *or* venturing outside of it) appeared to have become out-dated, with the study suggesting that the next generation was more ambitious, wanting to succeed in both the family business and their own venture. Taken together, these two groups totalled about 70%, which echoed our prior prediction: that next-generation members with a relatively high perceived ability to assumed an expanded role with regard to technological disruption and self-efficacy in effectuating change in their family businesses would "come home" to lead the disruption. Indeed, families in business were positioned to offer a unique pool of resources to realize this kind of dual career and outside advice would help the next generation in the development process.

Turning start-ups or spinoffs into disruptors

Almost half of the next generation (47.1%) in our survey showed aspirations to create their own venture, be it under the family group (7.6%) or outside it (5.9%), or to lead a dual career as an entrepreneur and family executive (33.6%). This might offer family businesses a winning strategy leveraging off disruptive technology, if well managed. A start-up or spinoff would also stand a better chance of being autonomous and free from routines in place to satisfy the needs of mainstream higher-end customers from the parent company. Under this scenario, the next generation's potential lack of understanding of the needs of existing customers of the parent company could become an asset rather than a liability. Instead, they could focus on the needs of overlooked customer segments, develop products and services more functionally suited to this group, and deliver them at a lower price. In essence, next-generation start-ups and spinoffs could operate with a lower-cost structure and relatively independent of their parent family businesses, which might allow disruptors to take off.

From the perspective of the current generation, investment in disruptive technology targeting lower-end markets and relevant risks might be lower and failure on the part of the next generation need not harm the existing market base. Successful next-generation projects would be able to prove both their legitimacy to be in charge of the future family group and plough resources gained from start-ups or spinoffs back to the family group.

Generational differences in career motivation

On motivations behind career decisions of the next generation (Figure 15), realizing one's own dream topped all other factors in the survey responses. Continuing a family tradition also played an important part in career decision-making. Financial stability is often assumed to be a basic factor in family businesses. Yet many Asian next-generation members received a pay cut on returning home from a professional track, say, with financial institutions. While families tried to find ways to fill the gap and offer a decent living standard, improving personal income appeared to be low-hanging fruit in motivating the next generation. While family business tenure is usually regarded as highly stable, it should not be taken as given. In the past when shadowing a person that the next generation admires–likely to be the patriarchs or matriarchs–would be a plus, access to wider experience through other means nowadays may have made this factor less appealing. While being one's own boss was not ranked as a top motivator for the next generation in this survey, sharp–and statistically significant–generational differences existed between Gen X and Gen Y/Z (Table 2). Gen Y and Gen Z showed a much stronger inclination to be motivated by serving as their own boss than Gen X counterparts. Families should be aware of generational differences of this kind so that the best strategy to engage and retain their next-generation talents can be devised.

Table 2

Generational differences for the "Be My Own Boss" factor (1 = not at all important; 5 = extremely important; *n* = 116)

	Gen X 1964-1978	**Gen Y** 1979-1993	**Gen Z** 1994 onward
Be My Own Boss	2.75 *SD* = 1.01; *n* = 28	3.51 *SD* = 1.18; *n* = 71	3.82 *SD* = 1.07; *n* = 17

[10] For instance, in a Chinese survey led by All-China Federation of Industry and Commerce, 40% of the next generation was willing to take over their family businesses (Chinese Family Business Report 2015).

Breaking free: family business tenure is not a life sentence

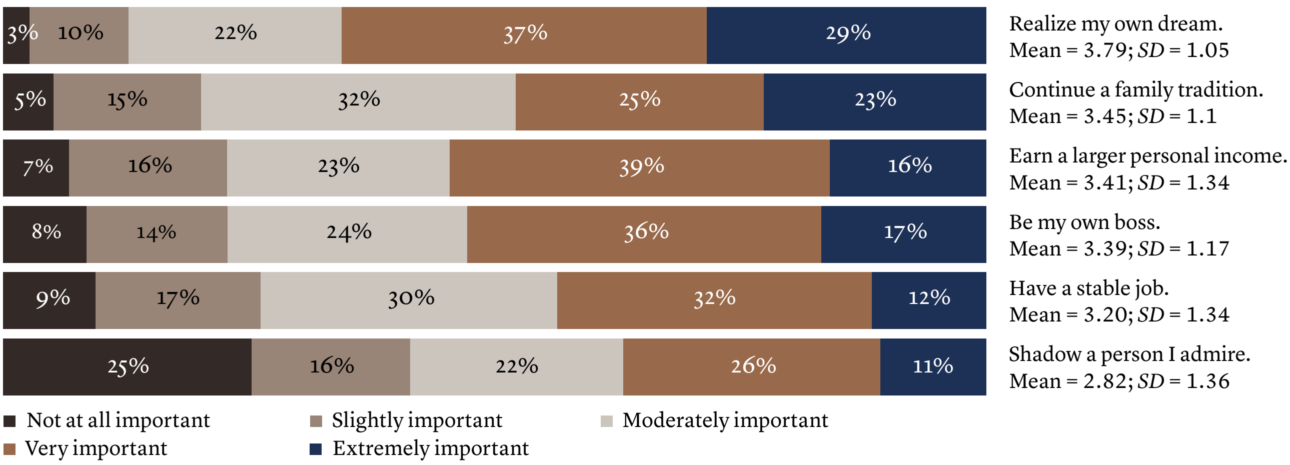
Whatever motivates your career, it is important to know your true options. Asian cultures work on tradition and hierarchy, making obligation to succeed the family legacy opaque but forcefully binding. While many of the next generation do not want to drop the ball, exit is a valid and valuable option, if well planned, as seen from the case of LAC and second-generation Terukazu Mishiba. Initiating a change in your generation and offering true career freedom to your children can benefit the generations to come. Family business tenure should not be seen as a life sentence. In this regard, Terukazu's techno-Zen concept is indicating that succession of the entrepreneurial spirit is far more important than the business itself.

Figure 14

Which of the following best describes your current career aspiration? (n = 119)

Figure 15

Please evaluate the importance of the following motivations in your career decision-making.
(1 = not at all important; 5 = extremely important; n = 119)



The way forward

We started this enquiry with the primary question: "Is the family business doomed?" As one of the oldest organizational forms in human history, the family business appears to have had an ecological edge that has helped it survive and thrive across generations and stopped it becoming "a thing of the past". In today's rapidly changing economic environment, we wanted to explore whether this was still the case; especially for Asian family businesses, given their role as one of the global economic drivers. This study has shown that Asian family businesses, across sectors and industries, have been widely challenged by on-going waves of technological disruption. However, they appear to be moving from awareness to execution in their response to technological disruption. The change can be facilitated by transitions at various levels: from family businesses to business families, and from rigid family tenures to boundary-less careers. Asian family businesses show great promise for continuing to fuel the world economy if they follow some of the insights identified in the report and listed below. Indeed, this should benefit not only Asian family businesses, but those in other parts of the world.

Management	Family
• Learn good practices from the 5% family businesses which complete the response cycle in a year. • Overcome barriers related to rigid mental models, emotional ties to loyal staff and existing assets, and standardized ways to scan and react to disruptors. • Hold a clear vision of the role of technology in the company's business model; integrate disruptive technology with the business model for a deep transformation, if appropriate. • Actively consider strategies for absorbing generational diversity and home-grown digital natives. • Empower professional managers to lead from their strengths and count on them to move upmarket with successful disruptors. • Grab opportunities to turn next-generation start-ups or spinoffs into disruptors, when such arrangements make a good case for success given the autonomous, low-cost nature of the new unit. • Remain small to retain leadership agility to explore and exploit opportunities as they arise.	• Seek understanding of career aspirations and motivations of the next generation–before you say whatever you want for them. • Create and resource a boundary-less career, particularly a dual career as an entrepreneur and family executive, available only for families in business. Stop dichotomizing career options as "joining the family business" or "venturing outside". • Take reference from popular motivations of career decisions, such as "realizing one's own dream"; "continuing the family tradition"; and the low-hanging fruit of "earning a larger personal income". • Educate and grow the next generation's ability to assume expanded roles in technological disruption; encourage rather than frustrate them, by allowing them to realize the change they want.
Owners	**Individuals**
• Refocus on the natural strength of long-term orientation and patient capital to allow aggressive and sustainable resource commitment to technological disruption. • Break the control mentality and avoid entrenchment to build new resources and thinking: introduce institutional investors, private equity, or venture capital; establish wider alliances and partnerships outside of the industry; engage external advisors wisely. • Develop an exit plan as part of the family business strategy and family council discussions.	• Know your personal strengths, limitations, and aspirations. Exit is a valid and valuable option if well planned. Family business tenure should not be seen as a life sentence. • Develop a keen circle of technological talents and friends through education programs and start-up circles.

Research methodology

We adopted a mixed-methods approach to examine the impact of technological disruption on career intentions of next-generation members in Asian family businesses. "Family business" in our study refers to operating businesses where ownership by a single family (with a common ancestor) results in effective control of leadership and operations by that family and a clear intent exists to pass this ownership/control on to the next generation. This did not preclude participation by businesses where the first generation was still leading. There was also no limit placed on participation due to company size or listing status to develop a sample more fully reflective of local economies.

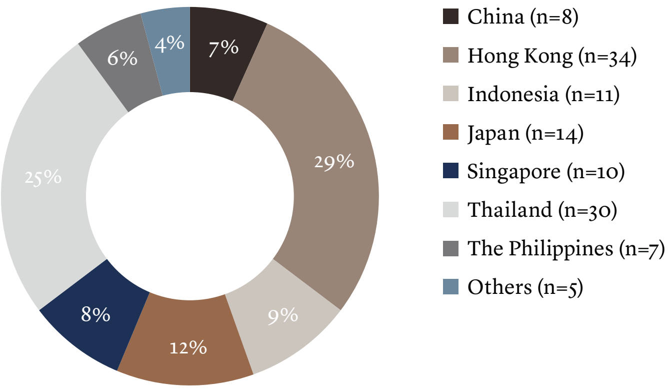
Survey respondents were next-generation members from families in business. They might or might not work in the business at the point of taking the survey, which allowed us to examine the factors guiding their career decisions. Over 70% of respondents were working in the family business. Given that about 80% among this group had work experience outside the family business, we believe that they were able to offer a balanced perspective. We did not set a particular age range to be considered a next-generation member given that, in Asia, many founders hold on to leadership into their 80s and 90s. Over 70% of respondents were under 40 and no respondent was over 64 in age.

Seven Asian countries and cities, namely China, Hong Kong, Indonesia, Japan, the Philippines, Singapore, and Thailand were identified for the survey. A few responses were also received from Australia (1), Malaysia (1), Taiwan (1), and Vietnam (1). The survey was administered online and email invitations sent directly to next-generation members or through local partners and family business networks. The survey data was collected from 26 August to 8 October 2018. Out of 132 recorded responses, we eliminated 13 responses as one or more answers were missed out. This yielded a complete data set of 119 responses.

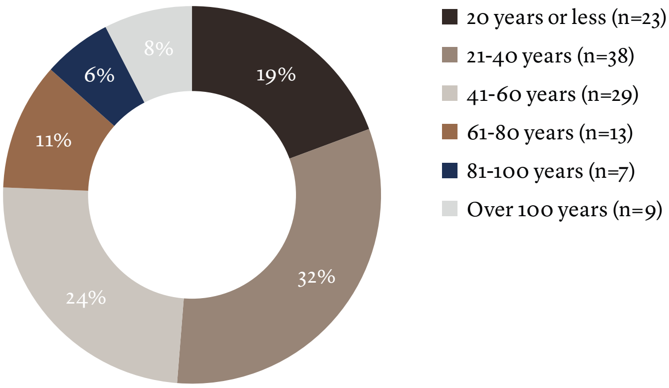
Three interviews independent of the survey were conducted to provide a more dynamic understanding of factors influencing career planning of next-generation members, including but not limited to responses of their family firms to technological disruption. To maximize possible variances, we selected family businesses from three different countries and industries. Case informants also had different career orientations. This convergent design allowed a more holistic understanding of the issues at hand.

Corporate profile

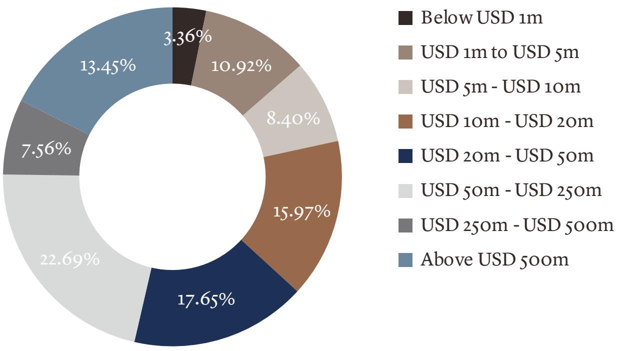
Country (by corporate headquarters)



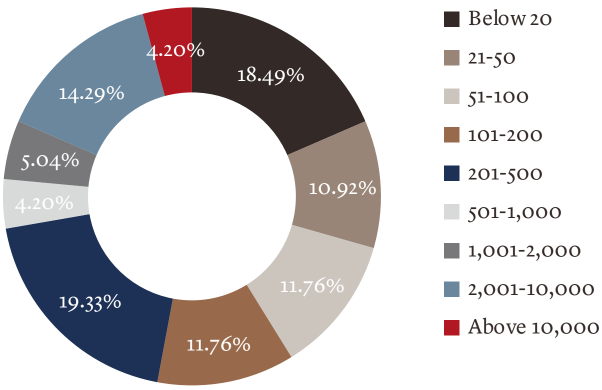
Years of operation



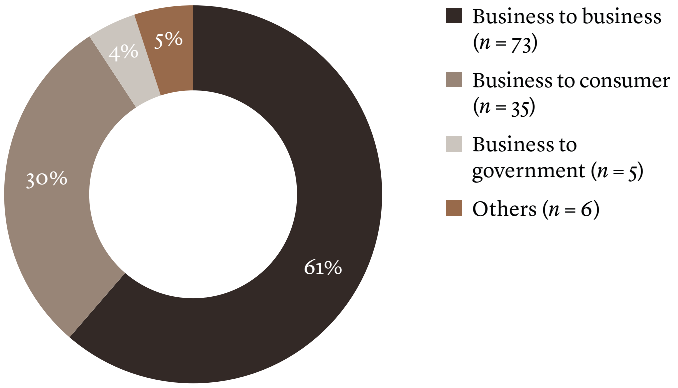
Annual sales in USD



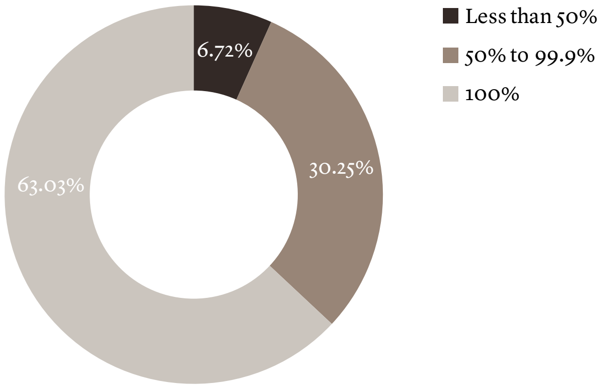
Number of employees



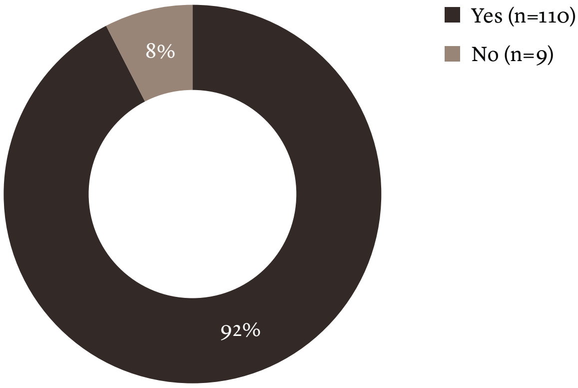
Business nature



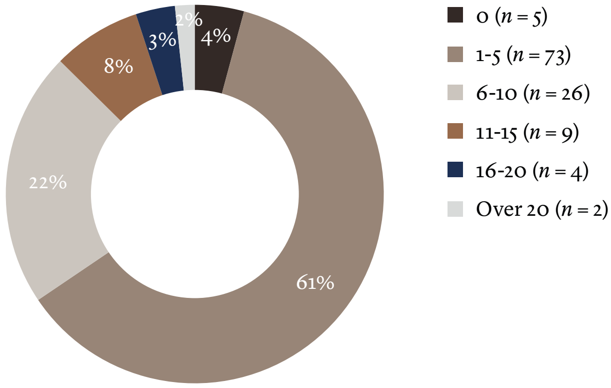
Family ownership level



Family CEO

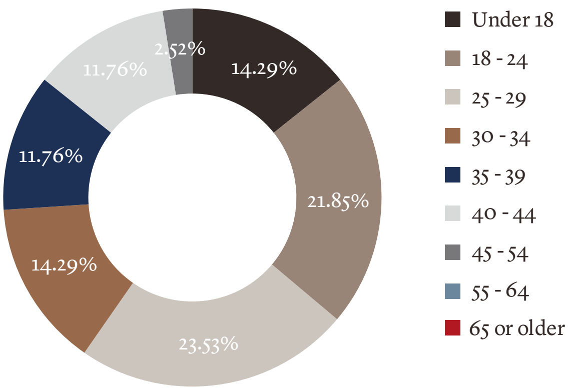


Number of family employees

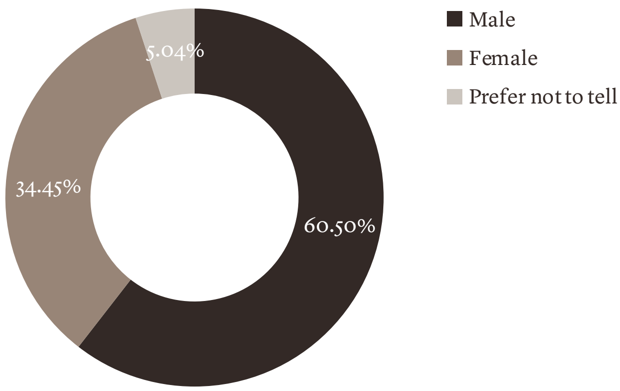


Participant profile

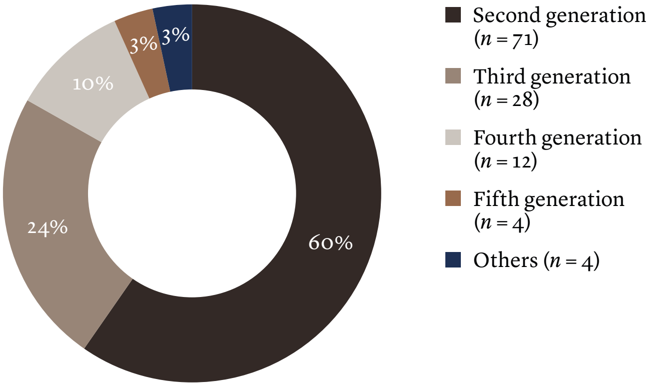
Age



Gender

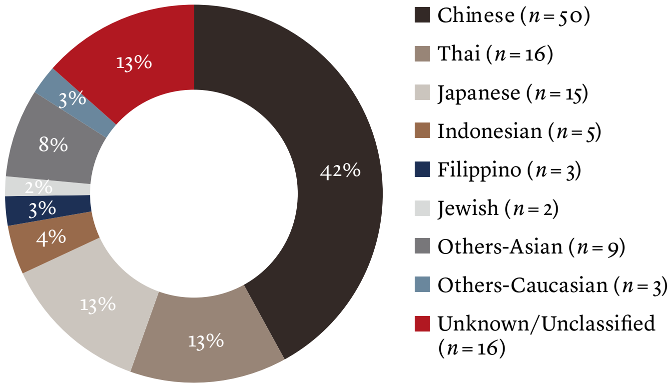


Generation represented

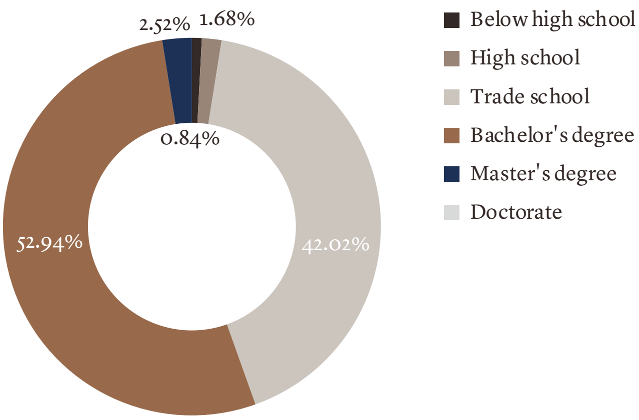


Others include one sixth-generation member and three first-generation members, aged between 35 and 39, who co-founded the business with their siblings.

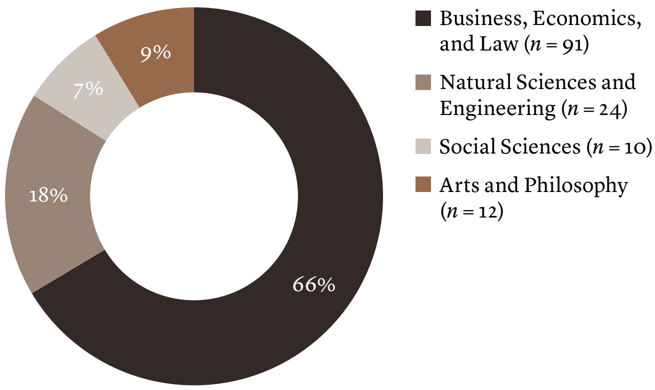
Ethnicity



Highest education attainment

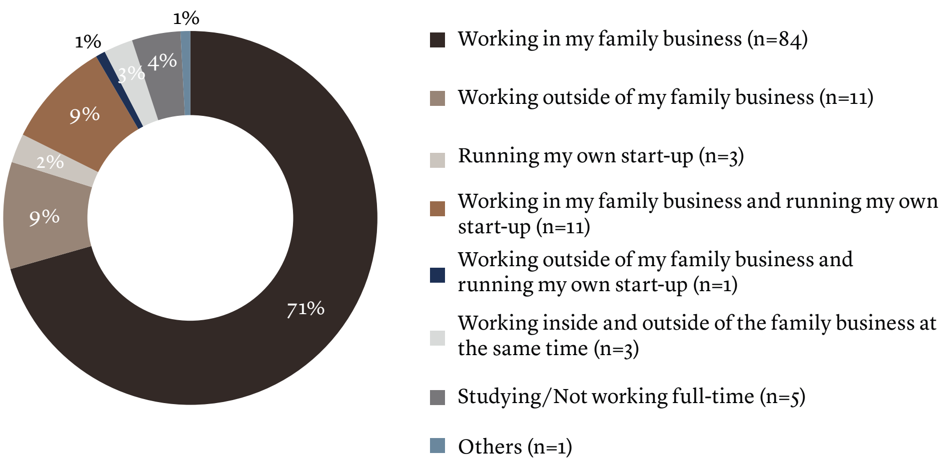


Field of Study



Multiple answers to this question are allowed; % and number represent responses per item; $n = 119$

Employment status



The research team

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