



Lee Kum Kee Group, established in 1888, has a history of 128 years built over five generations. Photo: Facebook / Lee Kum Kee HK
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Family succession plans are critical

This winter has been extremely cold, with Hong Kong experiencing the coldest temperatures in nearly 60 years.

It probably reflects the state of the city's economy, which is going through a rough patch as stock and property prices plunge.

What should companies do?

Family business plays a dominant role in Hong Kong. Those who have family succession plans usually are able to survive the boom and bust cycles.

Hoshi hotel in Japan has lasted for 1,300 years with the business passing on to the 46th generation. The hotel survived the Second World War when it had no customers for five years.

Hong Kong sauce giant Lee Kum Kee Group, established in 1888, has a history of 128 years built over five generations.

A succession plan is critical to sustain a long-lasting family business. It's impossible to make a succession plan without thorough consideration of all issues. A comprehensive review of the progress of the family succession is so important.

Most families usually value wealth succession the most. However, it's in fact just a part of the family legacy.

The Holistic Wealth Family Legacy Model: Five Dimensions Model created by Amen Lee, president of the Legacy Academy, covers five dimensions, including practice of family values, continuation of family relationship, passing on of family knowledge, management of family wealth and succession of family business.

The key is to pass on the values of the first-generation entrepreneurs, including their core concepts, values and life wisdom.

Family businesses which can last more than 100 years usually have a very unique understanding of family, business and relationships, and pass it on to the next generation as the family legacy.

The significance of a family motto is well demonstrated in Japan. More than 80 percent of long-lasting family businesses have inherited and practiced the family motto to operate the business, according to a survey of 600 long-living family businesses by the Japan Broadcasting Corporation.

Developing a long-term vision is a key element of these family mottos.

The core value of Lee Kum Kee is “family first, business second”, and the family motto also underlines achieving a win-win situation.

Also, the family requires the successors to stay as entrepreneurs, since it does not believe one would succeed in keeping the business without instant innovation and thinking out of the box.

The family business will not be able to stay on long unless it always maintains the mindset of entrepreneurs.

Apart from family values, family constitution and family council are two key elements of family governance. These elements would help build trust among family members and cement family ties.

The Family Constitution is a written statement that serves as a record of the family’s heritage, culture, hopes and ambitions for future successes, as well as a plan for how to achieve them.

It also forms a framework for family members, family offices, family businesses, family investment companies, and family trusts.

For example, Lee Man-tat has required the fourth generation of the family to obey three informal rules: no late marriage, no divorce and no extramarital affairs.

Anyone who violates the last two rules would leave the board automatically and no longer have the right to speak and participate in the family council and business decision-making process.

Allan Lee Ka-fai wrote this article, which appeared in the Hong Kong Economic Journal on Feb. 12.

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