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Scanteak: The Making of Successors in a Family Firm (B)

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On the afternoon of March 30, 2017, prolonged and thunderous applause rang out from a Singapore Scanteak Corporation (Scanteak) concept store on Joo Chiat Road, Singapore. Scanteak’s founder Pok Chin Lim, his wife Catherine Foo, and their children Jamie and Julian were sharing their extraordinary story with over 40 business school students, many of whom operated well-known family businesses in China. The students were impressed by the furniture company’s history, its regional development, and its independent and flexible model of organization and management. They asked the Lim family many meaningful, open-ended questions.

After saying goodbye to their visitors, the four family members sat together, lost in thought. Among the guests’ questions, two had been particularly thought-provoking. The first question was about company succession. Ever since Scanteak’s launch, Lim had played a central role in business operations. His wife Catherine, calling herself a “minister without portfolio,” had always been a tower of strength for the children. When asked about his plan for retirement and the appointment of a successor, Lim said it would not necessarily be his son who would be appointed successor—he would choose one of his children based on merit. The fact was that both of his children were highly talented (see Exhibit 1). After joining the company in 2003, Jamie had risen steadily from the position of field salesperson to become the marketing director of Scanteak Singapore, and had contributed greatly to the company’s branding. In 2010, Julian took over four stores set for closure in Japan and then managed to turn them around. He went on to open 10 more stores in that market within six years. As chief executive officer of Scanteak Japan, he also took on other roles, such as regional procurement officer for Scanteak Singapore, and board member and special assistant to the general manager of Scanteak Taiwan. Considering the achievements of both children, the first question the Lims needed to address was who would be the successor of Lim at Scanteak in the near future.

The second question was about wealth management and inheritance. Long aware of the importance of this issue, Catherine had made plans for employee benefits, charity, and finance, but no systems had been developed for property transfer, estate planning, or family governance. One of the visiting students had suggested that this could be addressed by setting up a trust system or a stock ownership system. The Lims were wondering how to start this significant and complex project.

**Co-operation between Family Members**

In 1974, Lim launched the company Hawaii Interior Decoration in Singapore. Five years later, Hawaii Furnishing Private Limited was incorporated. In 1984, Scanteak was officially established. In 1993, the company began to break into the international market, with its first stop in Taiwan. In 2003, Lim, whose time was being taken up with business development in Taiwan, asked his daughter Jamie to come back to Singapore and help her mother with business operations there. After 2005, the company made renewed efforts to break into global markets, and Lim succeeded in expanding his business to Japan, Brunei, and Canada. In 2010, at a time when Lim was planning to give up on the failing Japanese market, he invited his son Julian to help manage the business in Singapore or Taiwan. But Julian negotiated with his father, asking for the opportunity to try to increase Scanteak’s share in the Japanese market and turn the business around there—without his parents’ help.

Recalling Julian’s request at that time, Lim said,

The declining business in Japan was wasting too much energy and financial resources, and holding back the company’s development, so we needed to close down our business in that market. Julian had always been an obedient child. At that time, he [had] just graduated with an MBA, and the best thing was to come back and help us. Was it really a good idea for him to take on such a hot potato by himself?

However, after giving Julian’s request further consideration, Lim said, “If my son would not be willing to take care of the stores, who would? Was it really the best policy to shut them down?”

Julian said, “At that time, I thought my parents needed help, but I had always been under their control, so I really needed my own space. My sister had been back in Singapore for a couple of years, and she was very experienced in marketing and branding. My dad’s business in Taiwan was well established. I really didn’t want to go back to a fixed structure.”

Julian’s fiancée, who had always supported him, doubted his decision at that time, saying, “They are your closest relatives. Why are you so determined to go against their will? Why do you have to draw a clear line between you and them?” But Julian insisted on creating a space, to allow him to show his family his abilities. He explained, “If I can’t manage these four stores, how can I take over all the stores my dad has opened in Taiwan?” After thinking it over carefully, his parents finally agreed to his request to oversee the business operations in Japan. Julian ultimately showed his talent for business by achieving a great victory, and he began to take on more responsibilities in the company.

**Julian’s Expansion into the Japanese Market**

Julian travelled to Japan in the second half of 2010. For almost one year, he investigated the management and operations of the four stores. He found that the senior employees his father trusted were loyal and devoted, but they were too conservative to adapt fully to the changing market, which limited Scanteak’s expansion in Japan. “The managers tended to be quite conservative. To avoid business losses, they made as few changes as possible, which was bad for business development. Unlike them, I would make more changes even at the risk of losing money,” said Julian. Given that the Japanese were more sensitive to local markets and to customers’ needs, Julian made the bold decision to employ locals as store managers. Previously, to reduce costs, the division of labour had been unclear, and one employee was often in charge of more than one job. The performance appraisal system was also unclear, and together these had led to poor business performance. Looking back at the management model, Julian said,

When I first arrived in Japan, I found the HR [human resources] system was totally wrong. At that time, each store was staffed by one store manager, and all four managers were multitaskers. As well as their own job, one manager was also in charge of all the advertising design work, another one dealt with logistics, another one handled finance, and one manager did all the little errands. So the staff management system was a real mess.

While Julian was in the process of making great efforts to address the management problem, a massive earthquake struck Fukushima, on March 11, 2011, measuring 8.9 on the Richter scale. The quake unleashed a huge tsunami that led to a nuclear accident. At the time, Julian was on a business trip to Singapore. Hearing the news, he thought, “My employees are still trapped there. I cannot sit watching the news.” He immediately booked a flight back to Japan. When he asked his mother to drive him to the airport, Catherine was shocked, asking, “Are you out of your mind? Everyone in Japan is trying to get a flight out of the country. And you want to go there?” Julian answered resolutely, “Yes, I do. My employees need me.” Unable to persuade him, Catherine said, “You’d better take a taxi. I will not drive my son to the jaws of death.” As a mother, she was worried about the safety of her son, but as a business manager, she actually supported his decision. “If I were him, I would go, too,” she said. Lim did not respond directly to Julian about his decision, but the other managers in Taiwan said he was very proud of Julian.

Julian’s care for his employees in that crisis helped him to earn great prestige in the company. At this juncture, he began to carry out drastic reforms in the staff structure. Looking back, Julian felt that he had reaped a good harvest, saying, “The Japanese business gradually stabilized and it levelled out about three or four years ago (2013–14). During that hard time, I got married.”

By the end of 2016, Scanteak had made impressive progress in Japan under Julian’s leadership, and 10 stores were added to the original four unproductive stores. After gaining a secure foothold in the market, Julian found that social media in Japan had become fully mature, much more than in Taiwan, and the Japanese market was desperate for higher quality products. He therefore decided to further develop the market, to respond to new needs and challenges. “As the Taiwan market was more stable at that time, many people felt there was no need to change, but I thought I always had to be on the lookout for potential needs and challenges, to see where I needed to make changes, so that I could plan ahead, for the future. So I decided to expand the business and open up new markets in Japan.”

Besides overseeing operations in Japan, Julian also served as the regional procurement officer of the Singapore business, and had other roles in Scanteak Taiwan, including board member. Regarding the role his elder sister had played in his career development, Julian said,

My sister is much wiser. Actually, she is a tough woman, an iron fist in a velvet glove. I’m lucky to have such a sister. I often compare notes with her on business matters, and ask her advice. I think it’s very good to have such healthy competition and the opportunity for brainstorming in the family. My sister is my role model, and our competition is healthy. We don’t make trouble for each other.

He added, “When I was developing the Japanese market, my sister always backed me up. When I made unwise decisions, my dad, mum, and sister would make suggestions. I had to keep an open mind about their suggestions, and listen to their advice.”

**Jamie’s Marketing Concept**

When Jamie joined Scanteak Singapore in 2003, she started at the bottom, as a salesperson. Since then, she had applied what she had learned at university and brought new ideas, designs, and management concepts to the company, gradually working her way up to the post of regional marketing director. In the Singapore market, to bring down the high operating costs, she used the “3C” business concept.

The first “C” stood for creative content. For instance, Jamie was once tasked with advertising a new product but was only given a small budget by her father to do so. She then created an advertising story at a low cost, so that people would remember the Scanteak brand. This creative advertising ended up winning awards. The second “C” signified creative partnership. Scanteak offered each customer group a full range of services in partnership with outstanding designers, design schools, and shopping malls (such as Ngee Ann City). If a customer was interested in furniture as well as golf, shopping, and delicacies, for example, Scanteak would seize this opportunity, together with other business partners, to meet the customer’s needs. The last “C” represented creative media. Its aim was to produce specific advertising effects through multimedia content. In the past, information was available through limited media platforms, such as newspapers and radio, but with so many new media products now available, Jamie felt she should take advantage of the Internet age to raise Scanteak’s public profile. As a result, Scanteak reached potential customers through Facebook, official websites, e-mails, mobile Internet sites, and short message service (SMS) messages (commonly known as “texts”), and geared its marketing strategies toward customers’ media tools. With such market sensitivity and responsiveness, Jamie had achieved great successes in marketing and branding. Looking back, she said, “In the last 14 years, I have been involved in many changes, such as the design of the offices and the company logo. I have come up with many other new ideas for my dad, such as e-commerce. I will face up to the changing markets with him and my brother.”

However, Jamie was aware that some ideas could never be changed. “Our dream is for the long term and not just the short term. In a family business, family always comes before business. My mum always emphasizes the company values, saying that family comes first. We share the same values,” said Jamie. She learned these values first from her parents and then from her own experience. She appreciated how important the family was for the business, and respected what the family had achieved.

Now that Julian had his own share of Scanteak, Jamie often joked that Julian was like her elder brother. She commented, “We work very well together. Dad has created friendly competition between us. I’m in charge of the Singapore business, and he is in charge of the Japanese business. We don’t check on each other, but we are growing up together.”

**First Generation Led the Way**

Jamie and Julian’s parents were proud to have such outstanding children. Facing an increasingly broad market, Lim needed more qualified managers to act like his right hand. After joining the company, the children introduced many new ideas. By March 2017, the company strategy was determined by Lim, and the revenue from the Taiwan market accounted for over 70 per cent of the whole company. Working closely together, the four family members were in charge of the Singapore, Taiwan, and Japan markets (see Exhibit 3 and Exhibit 4).

Lim had always appreciated the business model of UNIQLO Co., Ltd. That company had risen from being a simple tailor’s shop to becoming the world’s fifth-largest casual wear retailer because it reduced costs by selling goods in large general merchandise stores in a unique system that integrated planning, development, and sales, making it a great market success. He thought that a furniture company could be developed according to that model.

Since its entry into the Taiwan market in 1993, Scanteak had inspired a passion for teak furniture in Taiwan. In 2016, the company’s operating revenue increased to NT$164 million[[1]](#footnote-1) (see Exhibit 5). The revenue in the first quarter of 2017 reached a record high of NT$430 million, an increase of 9.2 per cent over the same period in the previous year. By 2015, the company had 82 Scanteak stores and 12 Scan Living stores in Taiwan. In 2016, there were 104 stores in Taiwan alone, and 140 worldwide (see Exhibit 6). The stores then began spreading to Southeast Asia and mainland China.

Not satisfied with those achievements, Lim co-operated with Europe’s largest furniture provider, Nolte Möbel GmbH & Co. KG (Nolte), in 2016 to exclusively introduce CS Schmal products[[2]](#footnote-2) and sell them in Scanteak stores. In his 24 years of business operations in Taiwan, Lim had always appreciated the commitment of his staff and the hospitality of the local people. He believed that Scanteak still had much room for development, and planned to open hundreds more stores in the future.

Adopting a multi-brand strategy, the company had two major brands, Scanteak and Scan Living, to meet the needs of the market and consumers. In 2015, it increased the scale of its low-price furniture by launching two new brands, Scan Komfort and Scan Floor, and planned to launch Scan Café, which would allow customers to enjoy a good cup of coffee free of charge. Scanteak also set up new operational headquarters in Linkou and a central logistics centre to free up company resources, open up the market, and generate more profit. Apart from these strategies, Scanteak also had plans to expand into second-tier cities, including Yilan, Jiayi, Zhanghua, and Pingdong, with a goal of opening five to 10 stores every year.

Lim said Scanteak aimed to set up low-price stores, to satisfy its customers’ needs for furniture at different times. His plan was to open chain stores in Indonesia and franchise stores in mainland China.

**Scanteak’s Future: Determining a Succession plan**

In addition to business development, Lim gave great importance to the succession of the family business, saying, “I did not train them [my children] when they were young, but I always did one thing: my wife and I would take them wherever we went, to exhibitions or negotiating business deals throughout the world.” It was this unseen formative training that had given the children their passion for and knowledge of the industry.

Jamie had notched up great successes in marketing and branding, and Julian resembled his father in persevering with the market. With the family’s internal competition, how would Lim address the issue of succession? Would he retire and hand the company over to the second generation, and give them more room to showcase their talent? How would the children run the company and keep moving forward in the future?

Apart from business succession, the inheritance of the family wealth was also a very important issue. Lim and Catherine were very practical or matter-of-fact about it, commenting, “As an old saying went, ‘Wealth never survives more than three generations.’ We want to break this pattern. We will try to make our wealth last for 10 or even 20 generations.” They had been looking for a fully effective model of wealth management. But the question was how to make the wealth last for future generations.

**Exhibit 1: Curriculum Vitaes of Jamie and Julian Lim**

|  |
| --- |
| **Jamie Lim**: Regional Marketing Director, Scanteak Singapore  Jamie Lim held a double bachelor’s degree in business and film-making, and an EMBA degree from the University of California at Los Angeles and the National University of Singapore. The eldest daughter in the family, Jamie joined the family-owned Scanteak company in 2004, and was now in charge of regional marketing and branding, managing overseas franchises, and supervising business operations at Scanteak Singapore.  Jamie’s first job was film marketing in Hollywood. In 2004, she joined Scanteak Singapore as a sales representative. By 2006, the number of showrooms in that region had doubled.  Jamie believed that a successful, profitable business could influence customers, team members, business partners, and society with its solid business ethics, outstanding work, and charitable contributions. Besides closely co-operating with colleges and universities through internships and other special programs, she also co-operated with award-winning designers to highlight the importance of design for retail business.  Thanks to Jamie’s determined efforts, Scanteak had received many awards, such as the Distinctive Award at the Singapore Promising Brand Awards (2005), the SPBA CitiBusiness Regional Brand Award (Singapore) (2006 and 2013), the Superbrands Singapore 2009 Award, the Singapore Good Design Award (2015), the IPOS Award for Design Innovation (2015), and the President’s Design Award (2015).  In 2012, Jamie was presented with the JCI TOYP (Ten Outstanding Young Persons of the World) award. She was a member of the Council for Skills, Innovation and Productivity, an organization led by the government of Singapore to formulate proposals for national projects.  Jamie had two children: a two-year-old son and a four-year-old daughter.  **Julian Lim**: Chief Executive Officer of Scanteak Japan, Regional Procurement Officer of Scanteak Singapore, Board Member and Business Development Director of Scanteak Taiwan  In 2006, Julian was awarded a bachelor’s degree in business administration with joint honours in economics and finance from Nanyang Technological University. In 2009, he obtained an MBA from the Ross School of Business at the University of Michigan. He was a member of Beta Gamma Sigma, an international honour society serving business programs.  In 2010, Julian decided to take over four poorly-performing stores in Japan in the context of the global financial crisis. Since then, the Japanese operations had turned around, growing into a furniture chain store with 11 retail outlets.  As a board member and business development director of Scanteak Taiwan, Julian was in charge of the new Scanteak brands, including Scan Living, a leather sofa retail brand with 20 stores, and Scan Komfort, a mattress retail brand whose first store opened in September 2016.  As the regional procurement officer of Scanteak Singapore, Julian assisted in developing the award-winning PROLOGUE series, one of Scanteak’s most successful product lines. As the secretary of the Lim Foundation, he had also been involved in several charity fundraising activities.  Julian had a two-year-old son. |

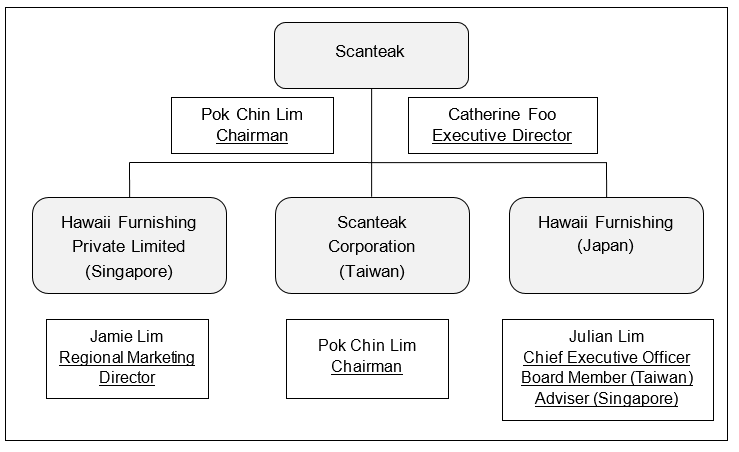
Source: Company files.

**Exhibit 2: Scanteak Milestones (2010–2013)**

|  |  |
| --- | --- |
| Year | Event |
| 2010 | * Scanteak broke into the Canadian market. * Scanteak had over 100 showrooms worldwide. * Scanteak opened two showrooms in Kantou, Japan (Yokohama, Tokyo). * Scanteak opened its first showroom in Vancouver, Canada. * Scanteak received Singapore Tatler’s Best of Singapore 2010 Furniture (Contemporary) Award. * Scanteak became a member of Singapore Service Star. |
| 2011 | * Scanteak had four concept stores and six showrooms in Singapore. * Scanteak launched its first Mobile Studio at Isetan Orchard (Wisma Atria). * Scanteak received the Outstanding Foreign Firm Award at the 65th Taiwan Golden Merchants Awards. |
| 2012 | * Scanteak was given the Forbes Asia’s 200 Best Under a Billion Award. * Scanteak received the Outstanding Foreign Firm Award at the 66th Taiwan Golden Merchants Awards. |
| 2013 | * Scanteak was awarded the Outstanding Foreign Firm Award at the 67th Taiwan Golden Merchants Awards. |

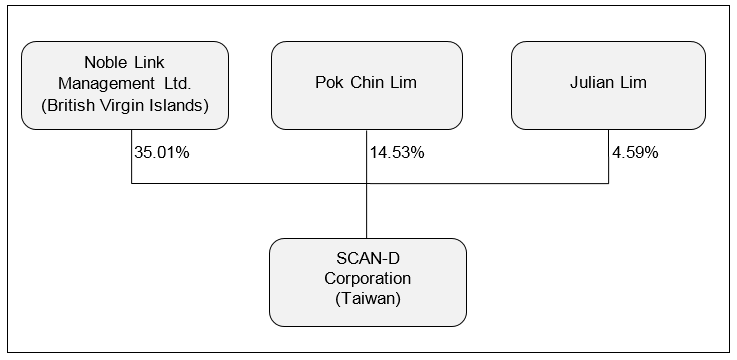
Source: Company files.

**Exhibit 3: Scanteak Organization Chart**



Source: Company files.

**Exhibit 4: Shareholding Ratio of Scanteak Taiwan**



Source: Company files.

**Exhibit 5: Summary of Financial Data for Scanteak Taiwan**

Brief Consolidated Income Statement, Prepared According to International Accounting Standards   
(in NT$ ‘000)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2012 | 2013 | 2014 | 2015 | 2016 |
| Operating income | 1,353,139 | 1,626,182 | 1,707,833 | 1,586,690 | 1,637,952 |
| Operating margin | 835,266 | 1,008,162 | 1,040,796 | 922,307 | 751,376 |
| Operating profit and loss | 234,147 | 325,795 | 323,278 | 230,740 | 886,576 |
| Non-operating income and expenses | 7,650 | 8,826 | 2,929 | 2,127 | 5,552 |
| Net profit before tax | 241,797 | 334,621 | 326,207 | 232,867 | 198,998 |
| Current term net profit (or loss) | 198,035 | 277,309 | 268,678 | 190,878 | 164,020 |
| Net profit (or loss) attributable to the parent company | 198,035 | 277,309 | 268,678 | 190,878 | 164,020 |
| Earnings per share | 4.50 | 6.31 | 6.11 | 4.40 | 3.82 |

Brief Balance Sheet, Prepared According to International Accounting Standards (in NT$ ‘000)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2012** | **2013** | **2014** | **2015** | **2016** |
| **Current assets** | 883,466 | 840,627 | 790,914 | 696,420 | 829,071 |
| **Total assets** | 1,013,703 | 1,559,435 | 1,628,276 | 1,546,947 | 1,633,369 |
| **Current liabilities (before distribution)** | 289,546 | 337,436 | 307,699 | 339,513 | 365,013 |
| **Total liabilities (before distribution)** | 296,946 | 764,836 | 734,299 | 748,413 | 836,506 |
| **Share capital** | 398,666 | 764,836 | 439,529 | 429,829 | 429,829 |
| **Capital surplus** | 60,000 | 60,000 | 60,000 | 58,676 | 73,426 |
| **Retained earnings (before distribution)** | 258,091 | 356,000 | 394,448 | 310,029 | 323,608 |
| **Total equity (before distribution)** | 716,757 | 834,599 | 893,977 | 798,534 | 826,863 |

Note: NT$ = New Taiwan dollar; US$1 = NT$30.3116 on March 30, 2017

Source: “Financial Statements,” [in Taiwanese], Scanteak, accessed April 25, 2018, www.topshine.tw/stock11.html.

**Exhibit 6: Scanteak Store Locations Worldwide**

|  |  |
| --- | --- |
| Location | Number of Stores |
| Singapore | 14 |
| Taiwan | 104 |
| Japan | 14 |
| Brunei | 2 |
| Canada | 1 |
| Germany | 1 |
| United States | 1 |

Source: Company files.

1. NT$ = New Taiwan dollar; NT$1 = US$0.03 on March 30, 2017. [↑](#footnote-ref-1)
2. CS Schmal was a value-oriented, high-quality German furniture company. [↑](#footnote-ref-2)