

Raffles Medical: succession planning question

FOR the strength of the pack is the wolf, and the strength of the wolf is the pack. These Rudyard Kipling's words hold true even outside the jungle in the corporate world.

One can argue that the success of a company depends not just on its current leader but the team backing the captain. The smooth functioning of an organisation hinges on a team capable of working in unison to achieve its objectives. The reverse, of course, also holds true. Without a strong leader, even an "A" team will not go as far as it ought to.

But for long-term sustainable success, an organisation needs more than just a strong man at the helm and a strong team. Here is where succession planning comes in. It is a challenge facing many companies and, at the risk of stating the obvious, not to plan is to plan for failure.

As Raffles Medical Group (RMG) celebrates its 40th anniversary this year, an inevitable question that comes to mind is the succession planning of this home-grown private healthcare provider, which has been expanding beyond the shores of Singapore. Helming this organisation is executive chairman and co-founder Loo Choon Yong, whose sharp business acumen has laid a strong foundation for the group.

A look at the private healthcare provider will show that Dr Loo, 66, is the glue that holds the organisation together, along with support from his existing teams of senior management and clinical leaders – something observers noted.

What started out in 1976 as a two-clinic general practice has grown into an integrated private healthcare provider that now has operations spanning 13 cities in Singapore, China, Japan, Vietnam and Cambodia.

The Raffles brand of medical clinics is one of the largest networks of private family medicine centres in Singapore and its expansion is a further testament of its growth story. Extension works are currently being carried out to its flagship hospital at Bugis and its new five-storey commercial building in Holland Village housing its medical centre is slated to open for business in June.

If you turn to its financial results for the first three months of the year, the group recorded a 3.7 per cent year-on-year rise in net profit to S\$15.5 million, while revenue jumped 23 per cent to S\$116.9 million – at a time when economies are slowing and markets are uncertain.

That alone may not mean much but over the past five years from 2011, the group's financials have grown from strength to strength. Revenue rose from S\$272.8 million to S\$410.5 million, inching towards the half billion-dollar mark, thereby making it a significant healthcare player at home. Along with that, net profit climbed from S\$50.6 million to S\$69 million in 2015. Taking a long-term projection, it is not too far fetched to en-

visage RMG becoming a billion-dollar – or even multi-billion dollar – organisation.

The consistent growth can be attributed to the group's business model where it hires its own doctors, and also the abilities of the management team.

Without a doubt, Dr Loo's leadership has been and still is pivotal to the company's success story.

But as the group moves to scale new heights, having a clear successor in line will give investors added confidence to its sustainability and ability to continue on its growth trajectory.

So back to the succession planning question. When *The Business Times* posed him this question recently, Dr Loo shared that the group has been renewing its next-generation leaders, a heartening response for those eager to hear direct from him. But, in the same breath, Dr Loo noted that there is no clear frontrunner who has been singled out to succeed him as captain.

But he did point out that there are a few candidates who can easily step into his shoes though he stopped short of naming them.

In any case, the bar has been set quite high under Dr Loo's steersmanship.

Andrew Chow, analyst at UOB Kay Hian Research, believes "investors are relatively comfortable in RMG's case since the group has a few senior management who could eventually step into Dr Loo's shoes".

A lot of the day-to-day managing is done by the group's strong management bench, Mr Chow said, which leaves Dr Loo with the strategic matters.

Having said that, Mr Chow did say that "it would be difficult to eventually find a successor to Dr Loo but I believe that he has enough foresight to implement a smooth transition, although he has not made it public yet".

The good news is that leadership can be demonstrated and developed at any level of an organisation. Where technical skills are required, such as in the medical profession, they are not strictly necessary when it comes to managing a healthcare company although it would be a welcome factor.

But the advocates of succession planning will argue that planning and the grooming of a successor both require time. According to some academics, succession generally represents a critical turning point for businesses and may take 5-10 years before a successor can take over the reins. This means the earlier the preparation for succession, the higher the chances of a business having continued sustainability.

Though some may say it's early days yet, a clearer picture on RMG's succession planning will inject greater certainty for existing and potential stakeholders as the healthcare provider continues to spread its wings.

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