

## **Business Succession Planning: Engaging the Right Experts**

In recent years, we have seen many stories in the news concerning the fight for ownership and control of businesses among the surviving family members of deceased business owners. One of many such articles is "Tycoon's widow sues for fortune" where the widow of a Singaporean-based tycoon commenced a legal suit to claim part of a business empire with a presence in 20 countries and a staff size of 39,000 people. The conglomerate was left by her late husband to his two sons from a previous marriage. Not all disputes however are between step-parents and stepchildren. Many are between siblings sharing the same parents.

Most wealthy people are business owners. And most of the wealth of business owners is in their businesses. Needless to say if there is a fight over the wealth of a deceased business owner, the business itself will be the primary target. As such, if you are a business owner, special consideration is required for your business when it comes to your estate planning. In the last 2 years or so, there has been much awareness and interest among certain Malaysian business people with regard to planning who will succeed to or inherit their business. A business is not only an important legacy to one's descendants but also a testament to one's lifetime achievements.

But if you are interested in the succession planning for your business, where do you start? I am of the view that the first step is to engage the right experts to assist you. Business succession planning is similar to the financial planning process.

A Business Succession Plan is like a road map guiding the business owners to get from point A to point B. Ideally the owners should identify point A their current position as well as point B, their ultimate objective and make it known to the experts – whom we shall call "succession planners". One should be reminded of Stephen Corvey's "*Begin with the end in mind*". The role of the succession planners is to draw the map so that the business owners are able to reach point B, the end in mind. There may be alternative routes to point B and the succession planners while presenting the various options, may recommend the one which is most suitable having regard to the client's preferences and circumstances. However, in many cases, business owners may be unsure of what should be their ultimate objective. As such, the succession planners may have to identify point B for the business owners as well.

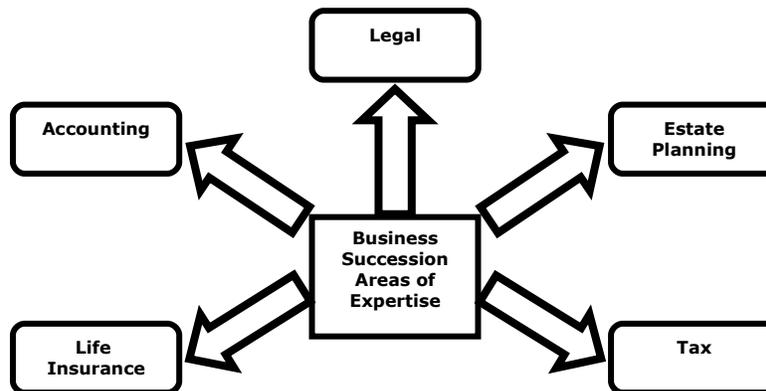
Your business succession plan should address:

- i. Business Issues – Will the business process be disrupted if 'Partner A' is no longer around? Would this result in clients leaving for competitors? And what impact would this have on the company's profits? Is there currently any person who has the same expertise to immediately fill his role?
- ii. Partnership Issues – What are the arrangements when a partner retires or exits the business, whether voluntarily or due circumstances beyond his control? Will the surviving partners buy over the outgoing partner's stake in equal shares or on a pro-rata basis in accordance with the percentages of the existing shareholding?
- iii. Legal Issues – What legal arrangements must be put in place to ensure that whatever has been agreed by the partners is binding and enforceable?

- iv. Funding Issues – How much is required to implement the agreed course of action under the plan? And how would it be funded?

Business succession planning involves a number of disciplines. It is important that the person or team of professionals you engage have expertise in:

- i. estate planning;
- ii. legal (especially the laws of company and contract);
- iii. accounting;
- iv. tax consulting;
- v. life insurance.



It is important that the succession planner you hire acknowledges his limitations and know when to consult other professionals on their special areas of expertise. Otherwise, you will have a situation similar to that of the well-known story where a bunch of blind men feel one part of an elephant and each stubbornly coming to his own conclusion as to what an elephant looks like. And your succession planner will be among them.

Readers of my books have complained why there are no samples of Wills, buy-sell agreements and business succession plans. No offence but I am not a big fan of Do-It-Yourself Manuals. I believe it is best to leave it to the experts. You cannot be an expert in everything and you certainly will not be an expert by simply reading a Do-It-Yourself manual. Business succession planning is complicated and requires expertise in a number of areas. Do not put your business and your family members' interest at risk by stinging on professional fees. After all, everything comes with a price.

Ong Eu Jin is the Chief Operating Officer and Executive Director of OSK Trustees Berhad. He is the author of the newly released ***Can Wealth Last Three Generations? Succession Planning for Business Owners***. For more information, please visit [www.osktrustees.com.my](http://www.osktrustees.com.my)  
Comments: ong.eujin@osk.com.my