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Generations' John Williamson on the Passing of the Torch to Asia's Next Gens

In the latest of our Hubbis Digital Dialogue Series discussions, the subject of the transfer of wealth to the next generation was mooted by our panel of five distinguished practitioners in the Asian wealth management, professional services and financial services industry. Amongst these was John Williamson, the Managing Director of Generations, who capitalised on his extensive experience in the industry to offer his shrewd insights and astute commentary on a number of key areas of consideration when assisting wealthy families in their preparation for the passing of the torch to the next generation, as well as what these families themselves may need to consider when seeking advice on the proper steps to take when planning for the inevitable inter-generational transfer of family businesses and assets, in what proved to be a timely and discerning contribution on a topic which is at the forefront of the regional radar as Asia enters what will be the largest transfer of wealth potentially witnessed in history.

Opening the September

10 discussion, Williamson offered his insights into the considerable opportunities that may be presented to the regional financial services firms by the upcoming monumental generational wealth transfer, noting that a sizeable number of institutions have already somewhat drawn their plans as to how they aim to garner business from family offices in Asia, although it may not be as straight forward as many of these firms may have liked, with a significant number of Asian business families rather reluctant to bring in outsiders.

"I think it's clear that many financial institutions of all shapes and sizes are homing in on what they perceive to be significant revenue-generating opportunities in the family office space," Williamson reports. "That's all good and well, but anybody who's operated in that environment for a fairly reasonable length of time, will have an understanding of just how challenging it can be to get business from family offices. I think if we look at what's happening in the family office space, typically, the family businesses, at least in Asia, are quite patriarchal. They tend to be run by powerful figures from the oldest generation, and often these figures are unable or unwilling to let go. So, this makes it quite difficult for second or third generations to bring in new advisors or to effect change."

Adding to the melting pot

Williamson expands on this, noting that one cannot broadly generalise the attitude held by the region's family businesses and wealthy families, with leadership models and transition strategies varying between individual examples. However, he reports that across the board, the next generations are very much of a different ilk to their forebears, with many wishing to bring their own ideas and perspectives into the mix. "I think if we look at the members of the new generation," says Williamson, "who ultimately will become responsible for all the decision-making and strategy on wealth management, they come armed with their overseas business degrees and have got a very difficult juggling act on their hands. They often see an urgent need to document the knowledge that's hidden inside the founder's heads and to disseminate it across the organisation. But, at the same time, they want to speak out about reconciling what they learned in business school and their own life aspirations with the older generation's expectations of appropriateness, courtesy and good timing."

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One major point of note, reports Williamson, is that many of the major success stories in succession to the next generations are those which tell a tale of placing the family before the business, with some of the most successful examples demonstrating that, with thoughtfulness, it is possible to preserve the family business and assets through to even the third or fourth generations. He explains that the greatest examples tend to demonstrate the preservation of strong family values in their succession plans, with these values often acting as the driving force in how these family businesses conduct their operations, and the processes, both personal and familial, which happen around them.

Facing a changing world

Another key shift which the industry must adjust to when dealing with the next generation is that of the influence of technology. With digital and FinTech increasingly at the forefront of how financial services firms interact with their clients, and the increasing familiarisation of the next generation with technological offerings, Williamson foresees a dramatic shift in the way that advisors assist these families in the coming

JOHN WILLIAMSON
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years. "It's not going to be the old model," he says. "Their businesses are not going to be run by the grey-haired sorts, they're going to be managed by younger people in due course who have a very different mindset in terms of how they want to operate, and indeed how they want to live their lives. There's an enormous opportunity for financial advisors, but a very different game going forward to what it's been historically."

Integrity, ethicality and trust

On the question of managing disputes, Williamson reports that upholding integrity and offering the best, balanced and considered advice is something to be placed firmly at the forefront of how an advisor operates. "This may sound a bit trite, but there are three things that come to the fore in my mind. The first is integrity. The second is trust. And the third is communication," he expounds. However, the financial services industry as a whole is often viewed with a degree of wariness, as some firms' actions historically have somewhat culminated in the tarnishing of the industry's reputation in regard to these pillars. "But how on earth do you garner trust if you don't operate with integrity?" he ponders.

In Asia especially, many families are reluctant to discuss any personal financial, health or other matters of a similar ilk. "In my experience, trust takes a lot of time to develop, it's not something that can be manufactured," Williamson reports. "I think particularly in Asia, many people don't want to talk about death. Often siblings will not want to risk upsetting their parents by asking for too much too soon. So, in practice whilst one can theorise all day long about how one should tackle these issues, the reality is often very, very challenging." There is an opportunity in this, however, for specialist operators, he explains, as those parties brought in from a medical, financial or legal background to help bring these families affairs into order, can provide vital support to a single party or firm that may be responsible for managing a family's overall affairs.

Liaising with the board

Williamson then shared his insights into where these high net worth families may look to for advice, and how it may take an array of advisors, professional service providers, financial services firms, and potentially beyond to curate an effective, tailored strategy for a family, especially considering that not all dealings with wealthy families are necessarily smooth sailing. "To really help some of these families deal with the family dynamics issues, which often can be very complex, deep-rooted and, frankly, somewhat difficult to resolve, takes a lot of time and effort," he explains. "There's no one-size fits all solution. Relying on one advisor, unless this person is particularly gifted, can often be divisive and dangerous. So, just as any normal corporation would have a proper board, having two or three people who the family, over time, can gain trust in to give considered, collective advice will often lead to a better outcome"

However, although this multi-advisor approach is vital from the perspective of the family, in some circumstances this may result in clashing advice being given as a family attempts to navigate through the process of an inter-generational handover and come to terms with some of the concepts or situations

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which they may face, which can make guiding a family challenging for an advisor when there's potential for the client to be led astray or influenced by another party amongst their council. "When there's a shift in the power base of the family, this often leads to a change in a number of the different advisors. So, you can devote a lot of time with any given client trying hard to get them on the right track, and often that work can unravel very quickly in the event of a significant change in the family power structure," he explains, adding that "change is a good thing provided, of course, that whoever takes over the leadership baton has the experience, temperament, empathy and respect of others to properly manage their new-found responsibility".

Stepping into shoes

Turning the conversation to the area of family businesses, Williamson notes that whilst some patriarchs are fortunate to have children who wish to follow in their footsteps and engage with the family business, there are many cases in which the next generation aspire to look to unchartered territory to make their bread, or in some cases, don't wish to work at all, or nothing like as hard as the wealth creators. Williamson reports that although there is a lot of focus on the aspirations of the second generation, it ultimately revolves around how the first generation raised their successors as to how prepared or eager the next-gens may be to take up the mantle of the business.

"It comes back to the first generation, how they have brought their children up. If they have introduced them to the concept of hard work and respect for others early on," he reports, "the chances of engineering a relatively smooth transition are obviously higher. If, on the other hand, they've been so busy working, building the family fortune, and not spent much time developing their kids, engaging with them in a meaningful and loving way, then, clearly it would be quite difficult when somebody is 40 years old, or older, to start interesting them in managing a business that they know little about and perhaps wouldn't have the same passion that the parents had for it." Again, Williamson cautions about generalisations, "Of course, each member of the next generation is an individual in their own right and will naturally have differing levels of interest in and ability to succeed their parents. The Asian norm of the eldest son automatically inheriting the mantle of authority is increasingly being questioned by the more progressive families with merit rather than age or gender often being given greater consideration."

The path to an effective succession plan also requires the navigation of the financial issues a family may have, as even those families who have not been struck by fall outs or divorces still often do not have their affairs in such a state that any wealth can easily be transferred on. Even if the patriarch of the family has a will, Williamson reports, parties may still bicker over elements of said will, or ambiguous clauses in the document, with greater complexities brought about by second families or successive relationships, leading to decisions needing to be made about if or how each party is recognised and dealt with, and how amicably all those involved behave.

How the actual transfer of wealth all plays out varies between families, based on the years of context already established, as the history within the family will unquestionably influence how the involved parties react, and impact how likely the family will produce a suitable heir to the familial business. "To me, in my experience, as with any family, the time that's invested in the next generation during their earlier years, often has a significant impact on how they behave when it comes to the wealth transfer, whether they want to get into the business, or whether they want to go and use their time sensibly on some other pursuit."

Finding the right advice

In his closing comments, Williamson shared his thoughts on the need to ensure that those operating in the industry uphold the pillars of integrity, trust and communication, and make sure that they offer a value-add service to clients, or fall victim to word of mouth. "To incorporate a medical analogy, one would not naturally go under the knife without making proper inquiries as to who was going to be carrying out the operation. And it's exactly the same for professional advisors," he says. "Talking to other people, trying to find out as best you can, as to the kind of credentials any firm or individual has is clearly going to be time well spent. Unfortunately, a lot of people don't take the time to do that important due diligence and live to regret it. But again, partly because of the digital world that we now live in, it's often a lot easier than it used to be to get some background information; a quick Google search will often throw up all manner of information about prospective financial advisors. There is really nothing to beat some thoughtful detective work before you commit your privacy, your confidences or indeed your wealth to some previously unknown third party." ■