Succession planning solutions for Asian families

Nigel Rivers of Capital Solutions discusses the importance of succession planning in Asia as well as the tools needed to do it effectively for business-owning families.

With the significant growth in private wealth in Asia within business families, succession planning has grown in importance due to the nature of the assets and need to ensure wealth transition.

According to Nigel Rivers, founder and chief executive officer of Capital Solutions, the saying in Asia 'riches to rags in three generations' is partly driven by a lack of planning. Among the issues that lead to this unfortunate consequence include uncertainty or a lack of action in dealing with the ownership and transition of management of the family business, and also family disputes, which can result in assets being reduced in value, sold off or broken up.

Important factors in planning for succession, explains Rivers, include defining a plan for leadership, creating a clear ownership platform and criteria for management selection, considering the impact of taxes on wealth distribution between generations, being able to manage current and potential conflicts, and helping family members understand their inheritance. He says there are a limited number of tools for succession planning: gifting assets, creating a will, setting up a trust or foundation which can hold assets for the long term, holding assets in a joint name, and using certain types of insurance policies.

ISSUES OF ASIAN FAMILY BUSINESSES

Rivers says that transitioning ownership of a family business is a notable challenge. Where there is a single owner who has created the business, decision-making is clearer. Leadership is clear and people know how the organisation is structured and works.

Yet when the ownership is divided up, for example between siblings within the next generation, Rivers says it can create two issues – the potential for conflict and loss of focus in management.

Conflict might arise, he explains, when multiple people become involved in key decision making – who might have a different objective or outlook for the business. This can obstruct decision making and eventually impact the performance of the business. ■

NIGEL RIVERS
Capital Solutions