



BUSINESS CONTINUITY & SUCCESSION PLANNING



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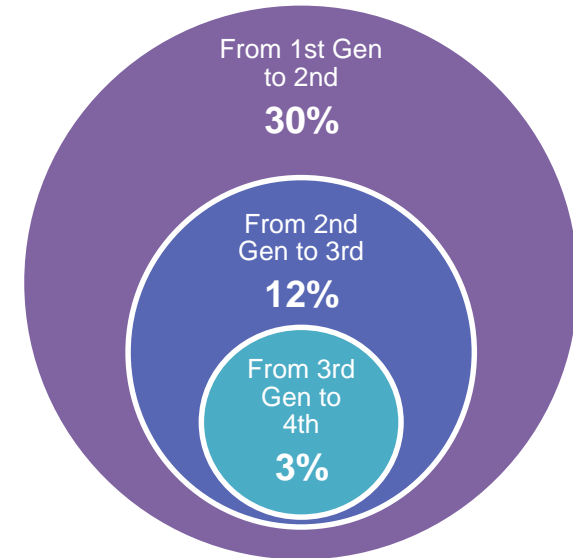
Morison Menon
Chartered Accountants

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Introduction

- Family businesses account for about two thirds (2/3) of all businesses around the world, but only **30%** of family businesses transfer, **successfully**, from first generation to second
- The figure drops to **12%** for second generation to third while it is only **3%** for third generation to fourth.

Source: Family Business Institute



Successful Transfer of Family Business

- The primary reason for this is that, for most people, succession planning ends with the ‘technical’ component of succession – e.g., wills, tax minimization, family trusts, buy-sell agreements, etc., while it leaves out the larger non-technical part, the ‘people’ component – family communication, family expectations, family values, family competencies, family dynamics, etc.
- Family businesses often have complex cultures and several accompanying issues that work against the successful continuation of the business.

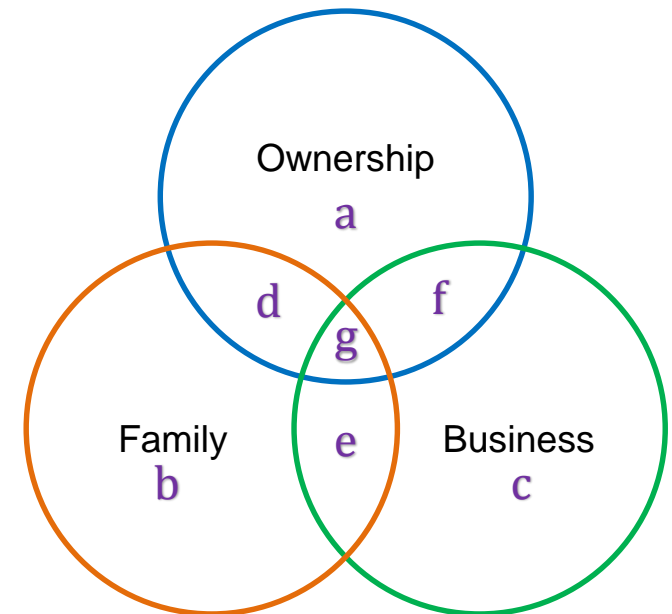


Who are involved

The governance of a family business is more complicated than for non-family owned companies because of the central role of the family that owns and typically leads the business. In a family business, the business, the family, and the ownership group all need governance.

Family Business – the “three-circle” model

- Three interdependent but overlapping sub-systems – business, ownership & family
- Each segment in the model represents someone with a stake in a family business
 - a) Owners who are not family members or employees
 - b) Family members who are not owners or employees
 - c) Employees who are not family members or owners
 - d) Owners who are family members but not employees
 - e) Family members who are employees but not owners
 - f) Owners who are employees but not family members
 - g) Owners who are family members and employees



Taguiri and Davis, Harvard Business School



What are the issues

Significant issues facing Family Businesses in the Region

Family Issues

Unclear vision

Branched family

Some family members not interested in the business

Choosing capable members as leaders

Mentoring and training of next generation

Establishing conflict resolution mechanism

Business Issues

Unclear strategy

Decision making powers not defined

Family representation in Board or Directors

Some family members enjoying undue benefits

Remuneration levels of various stakeholders

Exit strategies not defined

Key aspects to be addressed

Vision & Commitment

- Families should have a vision for the future
- They should be fully committed to the success of the business

Generational Change

- Succession – the biggest threat – has two dimensions
- Ownership succession & Management succession

Managing conflicts

- It is only natural that next gen family members have conflicting objectives
- Managing conflicts is central not just to the business, but to the family itself



What is required

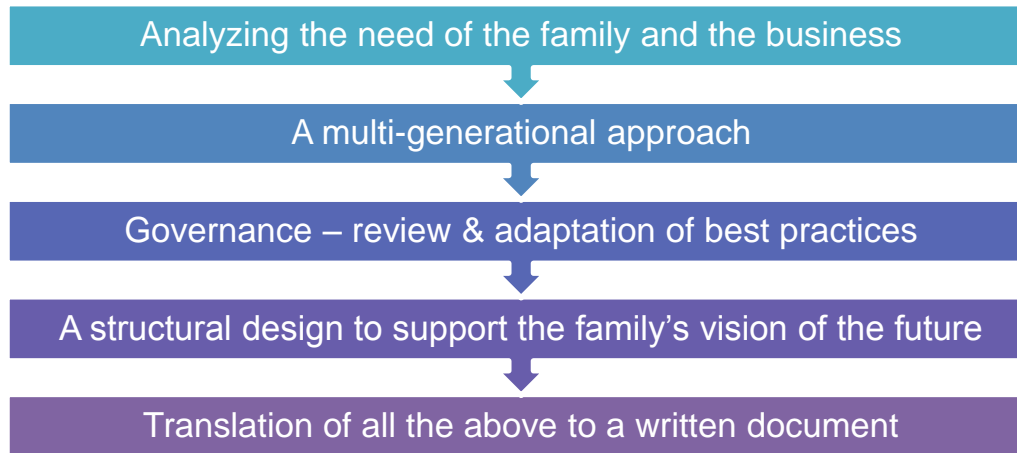
“...effective governance... brings the right people together at the right time to discuss the right (important) things”

Prof John A. Davis, Harvard Business School

Governance in terms of a business enterprise means setting a direction, establishing corporate values, and establishing policies and procedures

✗ Informal/casual methods (high failure rates)

✓ Formal structure of governance, with founding vision, family councils, committees, strategic goals, agendas, voting rights, education, philanthropy etc.



A 100 Year Vision

- Business succession planning - A process and not an event
- With legacy as the starting point, look at the reasons for the various stakeholders to be together
- NextGen to be heard & included
- Provide opportunities to learn & work together
- Sets task forces as required
- Focus on reflection, revision & dialogue
- Review & renew every generation

Wealth ==> Spiritual Capital

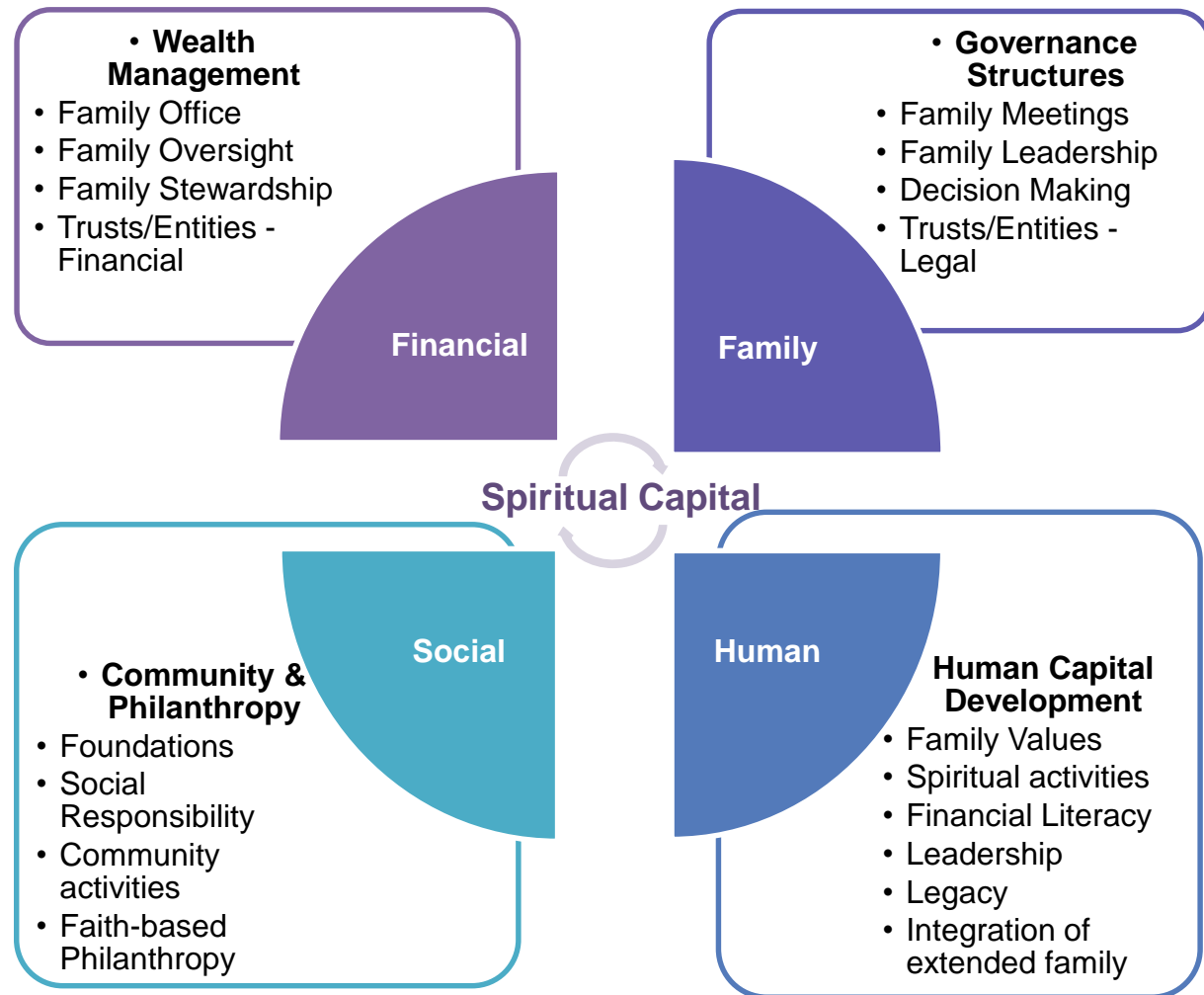
- Deeper meaning & purpose of wealth
- Follow family mission and values
- Grow the family story



Our Service Offering

Research amongst successfully continuing business families highlight the value of an independent external advisor whose objective approach ensures successful business continuity.

- Understand the vision of the Founder(s)
- Design a plan to support the succession process
- Structure the ownership with protection of interests of all concerned
- Draft Corporate & Family constitution and governance structure
- Assist Founder(s) to implement & monitor the Process

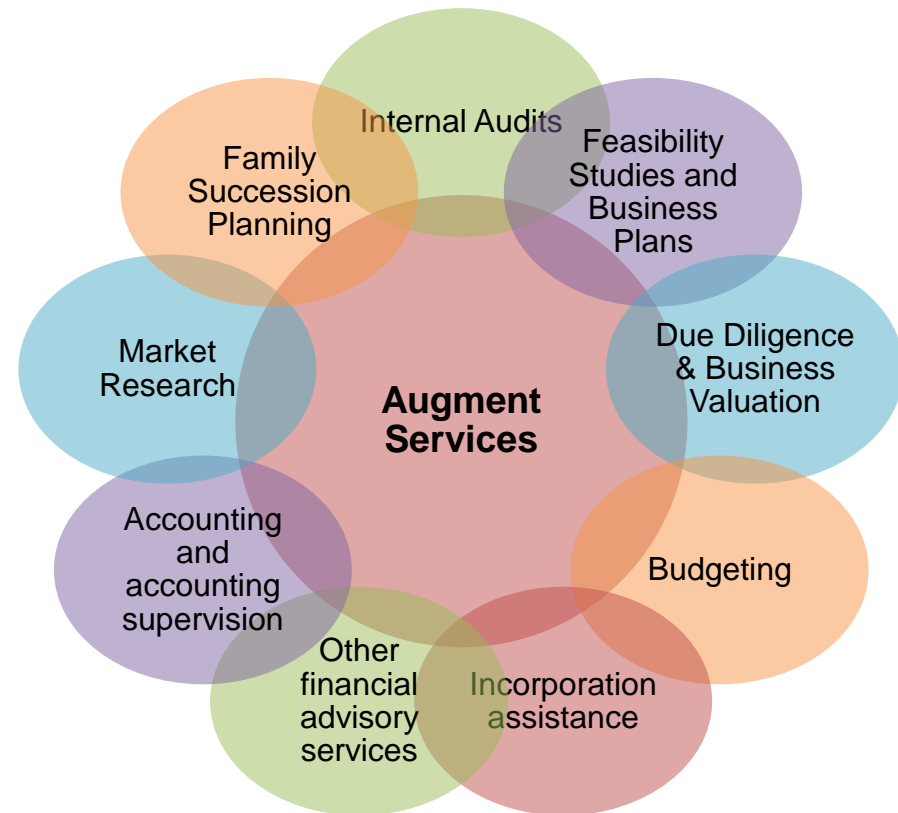


Associate of Morison Menon Chartered Accountants

- Drawing on the tremendous business insights of Morison Menon Group, Augment redefines the field of business consultancy with three compelling value propositions: Expert domain knowledge, refined global perspective and in-depth professional expertise.



- Dubai (1994)
- Sharjah (2000)
- Jebel Ali (2002)
- Abu Dhabi (2003)
- Ras Al Khaimah (2007)
- Hamriyah Free Zone (2012)
- Dubai Airport Free Zone (2013)



- Focused on positive business outcomes, Augment delivers the full spectrum of business consultancy services that enables clients to make informed decisions and unlock their true potential.

Thank You

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