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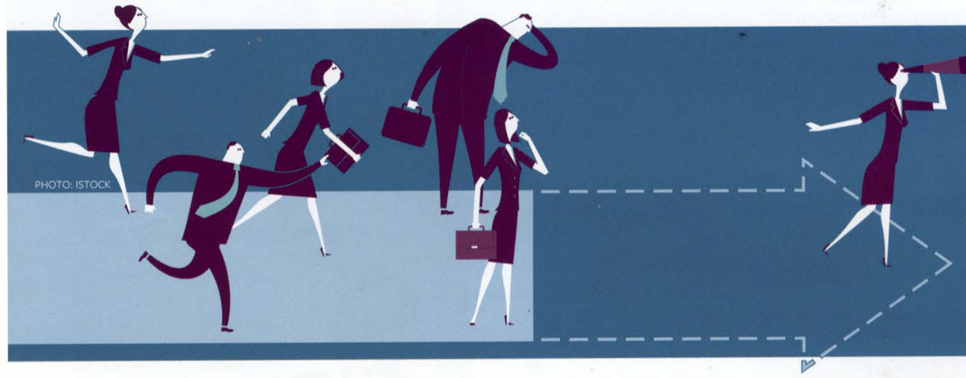
tions usually keep business owners awake at night: how to select and develop the future leaders and how to secure (family) control over the business.

To address these issues, a good practice may be to ponder on family internal talent versus professionals. You may need guiding principles for family engagement and business ownership or a family internal mechanism to transfer shares if future generations want to opt out. The planning options are multiple and ultimately a family needs to implement the solution that best fits their situation.

On wealth continuity, professionalisation and rigour are key. In a world of more and more complexity when it comes to investments, having a proper setup and dealing with the right professionals are a must to mitigate risks and operate in compliance with regulatory standards. A first step towards professionalisation is usually to clearly separate operating business assets from the family assets in order to diversify risk.

For the family assets, whether a family decides to create their own proprietary platform for asset management in the form of a family office, or works with reputable banks and other partners, essentially depends on how much know-how and time they have to dedicate to their family office to drive the activities. Successful family offices are not just set up, they evolve over time. Like an operating company, they are complex to manage and supervise and need the involvement of the principals.

To successfully transfer the family values over generations, many business families are increasingly turning to philanthropy as a social cohesive force. To this end, UBS recently hosted our flagship philanthropy forum in Singapore which attracted over 200 top global business families and eminent philanthropists who shared their insights on best practices and innovations in creating a family legacy though philanthropy, while achieving measurable social impact.



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'Succession is not an individual effort – the training and development of the successor or successors should have started from young.'

**Annie Koh, Academic Director of Business Families Institute, Singapore Management University**

'A dominant, visionary leader is crucial to lay the foundation for a framework to steer the family firmly and safely across unchartered waters...'

**Lee Woon Shiu, Head of Wealth Planning Trust & Insurance, Bank of Singapore**

**Brian Kenyon:** There must be recognition that there are no "one-size-fits-all" solutions. Each family is unique and there needs to be an acceptance by each individual member that it is in the best interests of the family to agree on a long-term succession plan over the period of four or more generations together.

This may sound simplistic, but in practice very few wealthy families consider taking action to preserve wealth for the benefit of future generations until it is too late. The challenge these families might face can be summed up in the famous quote by Ralph Waldo Emerson: "It takes a great deal of boldness to make a great fortune, and when you have it, it takes 10 times as much skill to keep it."

**Genevieve: What do you see as the "secret" to multi-generational longevity in family wealth?**

**Annie:** The findings of our family governance research report suggest that the secret sauce is a blend of family culture and values. These values are fundamental in shaping the identity and strengthening the foundation of the family and the business.

Values such as respect, loyalty and good reputation contribute to family cohesion. Hard work, prudence, entrepreneurship and quality contribute to business profitability and sustainability.

Accountability, stewardship and social responsibility contribute to a long-term planning mindset and engagement with community and society.

The commitment to a shared destiny and identity can spur the family firm to think and plan long term. It is then unlikely to do anything foolish to jeopardise the wealth and reputation of many generations to come. But over time – those core values may lose their flavour and, likened to a glue that binds, lose the stickiness. So the question is how to ensure that challenges ahead can be surmounted and build resilience among family members.

**Woon Shiu:** We believe that successful and steady stewardship is the starting point. A dominant, visionary leader is crucial to lay the foundation for a framework to steer the family firmly and safely across unchartered waters, and foster a longer-term perspective towards creating value for successive generations of family members.

A dominant patriarch is able to impose his demands and expectations on successive generations of family members to adhere to clear and shared objectives and a common family DNA. It is this bedrock of stable leadership and strong identity which is often beneficial for the long-term sustainability and longevity of the business and family wealth.

Strong leadership alone, however, without the desire or the ability to balance the "hard" and "soft" factors in both family and corporate governance, is insufficient. Once the mechanism to ensure the transfer of the vision and shared values has been embedded in the decision-making processes and protocol of the family business, the patriarch must be able to galvanise the successive generations to embrace these values and internalise such governance know-how. This ensures that the correct emotions and sentiments will guide the business in the decision-making process.

Successful leaders will also often work in tandem with a professional team of bankers, lawyers and accountants to ensure that the agreed framework is documented, ratified and adopted by all family members. This team can also keep the family abreast of legal tools and wealth succession options which will help augment and ensure the sustainability of the family values and governance mechanisms such as family trusts and constitution, jumbo universal life insurance strategies and philanthropic and educational foundations.

**Eric:** We see a growing interest among families to formalise these avenues of decision making in a family constitution or, when it comes to professionalising the way they manage their non-business wealth, to consider establishing a family office.

Successful families are inclusive, that is, senior generations typically actively address succession issues with the next generations, involve them in the planning process and give them opportunities for contribution.

Last but not least, successful families keep the framework relevant. This means that they review their planning regularly and adapt it to the changing needs of the family; they also stick to the plan and the rules they have put in place.

According to UBS research, 80 per cent of Asian families are concerned about succession, but less than 35 per cent have engaged in a structured planning process – often because they don't know where to start. Many successful families have turned to external advisers for customised solutions on inter-generational wealth transfers. This is where the family advisory practice comes in.

The team was established over a decade ago globally, and in 2006 in Asia. With this long-standing track record, UBS Family Advisory has been able to build up a wealth of experience and insights which we share with our clients. We continually learn from our clients and adapt to changing needs in order to make sure our value proposition stays relevant.

When working with a family on their continuity planning project, we usually engage them in bespoke thematic workshops, each addressing a specific angle of their legacy framework to be built. This helps them to stay focused and tackle issues one at a time. The outcome is then a concrete legacy and decision-making framework, often supported by a family constitution and the establishment of governing bodies such as a family council or platforms such as a family office. Where legal structures and vehicles are needed, the team works with other internal and external specialists to ensure that our clients get a comprehensive solution.

**Brian:** The secret to multi-generational longevity in family wealth is to recognise the potential for wealth to be dissipated over three or more generations and to plan early. It is important to involve family members to the fullest extent in building the right framework with the assistance of independent expert advisers who can guide the family through the process.

**Genevieve: Are there special challenges that are unique to Asian families – what are these and what do you suggest to address them?**

**Annie:** I would classify them under three broad areas.

• Asian culture related issues – many of our first and second-generation entrepreneurs have a strong preference for their male elder children to be the successors of the business. That in a sense limited the pool of "possible and qualified" candidates.

Possible solutions include encouraging the female members of the family who are credible and competent to take over the reins. We are starting to see this happening. The Apollo hospital family of India is a family of daughters. The CEO heading Kalbe Pharma in Indonesia is the daughter of one of the first-generation siblings. In addition, we have found many firms with daughters tapping the sons-in-law and enlarging the talent pool.

Another possible solution is to bring in an interim non-family successor to coach and mentor the family successors who are still young or not quite ready in terms of level of competency, experience or maturity. Such non-family CEOs are recruited and told of their mentoring role early in the succession plan, and the founders do expect their family members to take over when the latter are ready. Usually these non-family CEOs are given some minority stake in subsidiary firms to incentivise and align their loyalty and behaviour to help guide and coach the successor(s)-to-be.

Another solution as mentioned earlier is to sell off the business that the next generation successors are not interested in, and let other professionals or another family firm continue to grow the "original" business and build brand equity for the family. The family's new generation becomes entrepreneurial and starts their own respective new businesses. Many examples abound. Jumbo Seafood bought over Ng Ah Sio Bak Kut Teh to keep the heritage brand. The De Dietrich French family sold off their white goods business – well known for their commercial ovens – and different branches of the De Dietrich family have built other businesses.

• A second challenge more prevalent in Asian business families is that many have no formal platform to bring up family grievances for discussion or conflict resolution. In our recent study, we find that many Asian families are in their infancy (first and second generations). While they are convinced that having some form of structured platform or governing body represented by different branches of the family will be good, they are not ready.

So Asian families use a form of "structured informality" approach to build closer family engagement for shareholders and other family members not working in the family firm. They use informal social gatherings to discuss both family and some business issues. But the once or twice a year family business meetings for shareholders are not enough to build trust among diverse family members, as the core circle working in the family firm has more information than the outer circle of extended family members and in-laws not working in the firm.

So when it comes to lobbying for support to identify and eventually support a particular family or non-family successor – it should not just be the dominant shareholders' decision – but a family group decision. Then the successor-to-be will be well supported when the transition happens. In addition, if the successor does not pan out well – it might become challenging to "fire" or "remove" a family member. So the family council of elders could be consulted and a family decision made to hear out the case and decide on a face saving approach to remove a not-so-competent family successor.

• Thirdly, family firms must start thinking about professionalising the business even if they are unlisted. That will help the firm grow business sustainability. There will be clearer human resources policies. For instance, if family members want to work in the firm, they must submit an application. There should be clear job descriptions for different job roles; clear and transparent compensation rules; strategic and succession plans at each level of business, etc.

Many of our Asian families have started putting together an advisory panel (even when unlisted) to help the family think through issues related to family, ownership and business.

**Woon Shiu:** We see a significant number of Asian HNW families who are often focused solely on their core business of driving the family's corporate wealth. These families often demonstrate such focus that they ignore the "soft" factors or concerns in wealth succession and family governance. They fail to recognise that their wealth is by no means limited to what they see in the financial balance sheets, but extends to human, social and intellectual capital as well.

It may well be a legacy of the Asian hard-nosed no-nonsense training that results in Asian patriarchs who are seldom keen to pay attention to succession planning, because most see this as a distraction. It is often also unpleasant when there are difficult family dynamics, which they would gladly sweep under the carpet rather than resolve. However, such neglect or wilful ignorance of the pitfalls of business succession may often come back to haunt families when the patriarch is no longer around.

The other common trait is the unwillingness of Asian HNW patriarchs to initiate discussions on succession planning at an early stage of the family business. Such unwillingness can result in often bitter and explosive family disputes as the second and third generations are often left to salvage and secure their own standing in the family business once the patriarch has died.

We suggest that the patriarch leverages his dominance and status a step further by fully recognising that the founder's stage of the business is the best time to harness his power and implement a family governance structure. There are fewer control and governance issues in place when the founder is still clearly in charge. He should establish a Family Constitution to clearly define the family DNA and values and obtain the commitment of family members to adhere to and to further the long-term family vision.

He should also consider setting up a Family Council to guide the family in making decisions which would impact the collective well-being of the family business. This would be similar to a public company's code of conduct and corporate governance rules. In the same way that the best-run corporations have a precise set of corporate governance rules, the most enduring family businesses will also require clear rules of engagement that will incorporate checks and balances at every level of control.

Asian families should also be more forthcoming in working with professional advisers such as bankers, lawyers, accountants and tax advisers who can assist and draft the Family Constitution, set up the Family Council with its by-laws, review the inventory of the business assets and advise on the most tax efficient manner of ensuring the continuity of the wealth. The delivery of this task can be optimised when clients select a stable and committed private bank that is serious about long-term wealth management, and is empathetic, sensitive and able to unify all members of the family in recognising the family goals.

Ultimately, the patriarch and his family should recognise that the journey of succession planning is an evolving process, and not an event. It took years for the patriarch to reach the pinnacle of success. By the same token, it will take years to protect, preserve and grow this success and wealth.

**Eric:** The key questions and concerns are similar around the globe, but differ depending on the life cycle of a family. Cultural context matters when it comes to working out solutions. Based on our experience, we have noticed that there are some common challenges in relation to family succession faced by business families around the world. Typically, lead generations will be concerned about the future of the business, how to secure family control, how to select and develop the next generation family leaders, groom responsible shareholders and so on. These questions are essentially the same for a family in Singapore, Italy or Brazil.

However, there are some differences between succession planning among the Asian business families compared to the West. These are due to two main factors: different stages in the transition cycle of the family, and the ways in which the family addresses the succession topic.

Generally, in Asia, many entrepreneurs are at the early stage of transition either from the first to the second generation or the second to the third generation. They will usually be very involved in the business and have limited experience about what it means to balance the interests of a wider group of shareholders or how to reach decisions involving a larger group of family members.

There are, however, many differences within Asia. For example in China, many businesses are still under the control of the founding generation, whereas in Indonesia, Singapore or Hong Kong, wealth may already have been transferred one or two generations down. The families involved may be able to learn from past mistakes, but they often have to deal with a higher degree of complexity since more family branches may be involved in decision making.

The cultural aspect plays a significant role when it comes to the ways to address the issues. Culture affects the openness in communication, involvement of several generations of the family in the project and openness towards the involvement of external advisers.

While families in North America and Europe have engaged external advisers for decades to help them with their governance, their counterparts in Asia have been receptive to the idea only in the recent years, sometimes to bridge a cultural gap between the locally rooted senior generation and the young generation, mostly educated in the West.

**Anton Wong:** We believe, as an entrepreneur's business and wealth reach a certain scale, the dynamics of ensuring long-term inter-generational sustainability – while balancing individual family members' needs – become increasingly complex. In many cases, the intricacies and complexities far exceed what the family is able to resolve on its own.

However, it is still not conventional for many Asian families to open themselves up to discuss issues so close to home, let alone propose a rigid family council setup, governance rules, and allow outside talent to contribute.

Proper business succession is not a plug and play exercise. As this is a process which may take years, and sometimes decades, to carry out, the best suggestion we can give is to think about it early, and to find ways to foster honest and constructive communication between family members. In ideal cases, the next generations receive the relevant education and preparation when they are young, and the family can make proper decisions without undue time pressure.

**Helene Li:** Another area worth examining is to incorporate next-generation members into the family business and to "pass on the baton". The need to help families who are in a position of wealth and influence to give back, to impact the communities where they live and where their businesses operate, is also important.

Often, families are constrained in terms of time, location and sensitivities to properly steward these aspirations. Bringing in outside advisers could be one way that families can benefit, by having a non-family member who has the experience and understanding to offer a different perspective and to put things into context. These advisers facilitate the examination of succession issues, help create harmony within the family, and look into ways to include the next generation in the process as the family evolves.