

Post-Workshop Notes

Workshop: **Avoiding Business Succession Headaches & How to Approach Business Owners**
 When: 23 June 2022
 Speakers: Lionel Lau of First Business Advisory and Michael Seow of Prudential.
 Moderator: Victor Tang, Chair of Events Committee of AEPA
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Introduction

In this workshop, we discussed the challenges faced by some of our most famous and successful family businesses, and what they did or could have done to avoid family disputes, which cause internal fights and destruction of the founder's years of building up the family business.

Sharing by Lionel Lau

Most families want to keep the business within the family. Yet according to a study, most family businesses do not have a concrete mechanism in place to handle family conflict. Conflicts always exist in families and are a great enemy of the family business. Managing conflicts is key to the survival of the business as well as the survival of the family itself. Only 57% have some form of mechanism for succession planning.

The case studies shared, showed how family conflicts can eventually bring down the family business or create long-lasting conflict among family members.

The case studies included Chew Kee Noodle House, Eng's Char Siew Wanton Noodles, and public cases involving Tong Garden, Mustafa and Yeo's Drinks.

Business succession takes place in stages and requires years and resolve to carry out. There is a process to protect the business and the shareholders to achieve business success, before protecting the family to enable the business to be passed down to over three generations.



Sharing by Michael Seow

Is gifting a legacy or a curse? He shared about the tragic case of Tan Nam Seng who stabbed and killed his son-in-

law over the mistreatment of his daughter and his taking over his business through unfair means¹.

Michael suggested that if the father had transferred the company shares to a trust, instead of giving it to his daughter, the tragedy could have been avoided.

Michael highlighted the uncertainties and consequences of being a Director, Keyman and Shareholders.

He shared a real-life case where a buy-sell agreement was rejected because the shareholders thought it was too costly and instead made non-binding verbal agreements to one another that the surviving shareholders would make sure the deceased's family would be compensated. However, none of that was honoured when the shareholder passed away. The cost is now many times bigger than the cost of doing a Buy-Sell Agreement!

Lastly, he shared his Five Questions (plus one Bonus) that he asks of his business owner prospects:

1. What have you done to ringfence your business assets?
2. If you walk out and aren't coming back, would you want your family to get involved in the business or would you prefer that they sell?
3. If they were to sell, would there be ready buyers?
4. At what price would you want them to sell for?
5. How should they be paid? In a lump sum or instalments? For how long? With or without interest?
6. Is there any legal documentation done to ensure that your wishes are going to be carried out?

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¹ www.channelnewsasia.com/singapore/boon-tat-street-death-man-admits-to-stabbing-son-in-law-to-death-626501