

Handing over

Smoothing the succession path for entrepreneurs

All business owners one day face the question of whether they want to continue leading the firm they've worked hard to build up – or whether it's time to step back.

If the time seems right to hand over the reins, a business owner's wealth management firm can play a fundamental role in helping them prepare successfully for what comes next. Below we explore how wealth managers can add value to the succession-planning process.

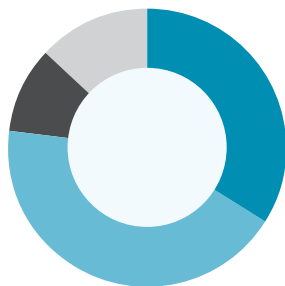


How ready are the next generation of leaders in your primary business to take on management responsibilities?

(Source: BNP Paribas Global Entrepreneur Report 2019/Aon)

There are no obvious successors in my business
13%

Need a lot more guidance and support first
10%



Fully prepared
34%

Need some more guidance and support first
43%

1. Recognise the need for a trusted advisor

When we surveyed 2,763 elite entrepreneurs around the world in 2018, one in three (34%) over the age of 55 were planning to sell or exit their business in the next 12 months. But thinking about transfer can be daunting. Over half of business owners feel the next generation of leaders in their company need more guidance and support before they are ready to take on business management. One in eight (13%) feel there are no obvious successors to their business. Helping entrepreneur clients open up about their succession concerns can be a wealth manager's most valuable role as trusted advisor.



Tasha Vashisht
Senior Manager
Client Insight, Aon

2. Determine what a client's succession plans are...

The main options for transferring a business are either to pass ownership onto family members, to the management team, or a new owner. Over half (51%) of entrepreneurs globally say their plan is to pass ownership onto family members.

Family succession is widely seen as a good way to safeguard the firm's financial value and to preserve a business's core values. Ultra high net worth entrepreneurs in particular also strongly believe the next generation are the right people to develop their business. Entrepreneurs in Poland, Italy, Russia and Brazil are most supportive of family succession.

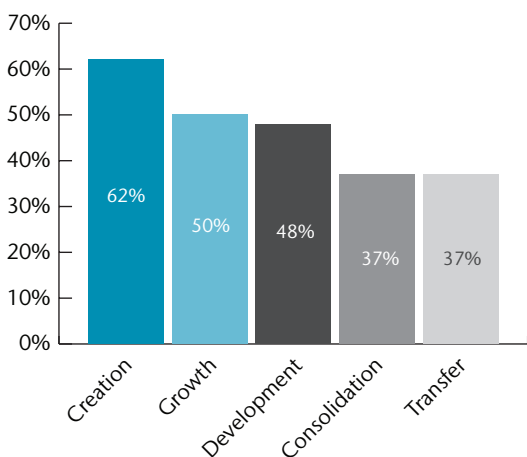
...but recognise that plans can change

But our research shows that intentions can change sharply. Two-thirds (62%) of entrepreneurs at the initial 'creation' stage of their business say they anticipate family succession. But this falls to just 37% among business owners approaching exit, with 41% preferring to transfer to a new owner. This may reflect a desire to realise greater value from the exit or that the owner's growing network of contacts has opened up new exit options over time. Either way, it can be useful to check regularly with business-owning clients as to their latest exit intentions.



% of entrepreneurs who say ownership of their business will pass to a family member, based on the current stage of their business

(Source: BNP Paribas Global Entrepreneur Report 2019/Aon)



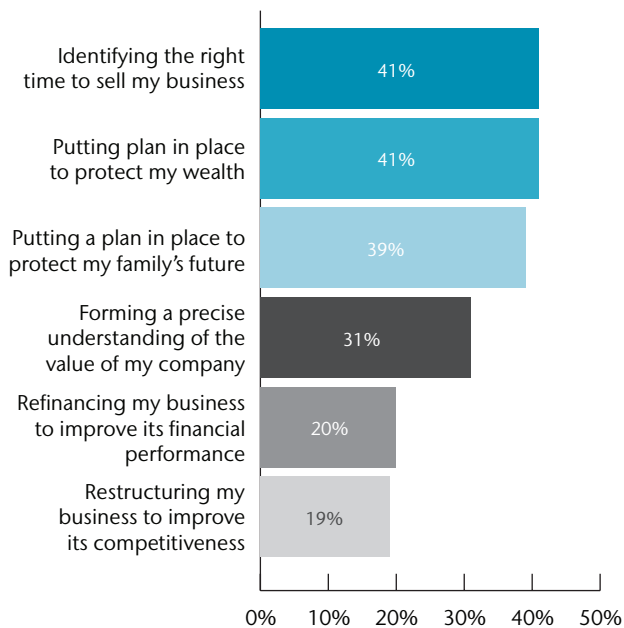
Source: Aon, UK Client Experience KPI Benchmark 2018

3. Identify which exit activities are most important to the client

Planning to exit a business involves multiple disciplines. Aside from determining the optimal time to sell, the key priority, say exiting owners, is drawing up a plan to protect their and their family's wealth and financial future.

This potentially puts wealth management, estate planning and tax planning centre stage – all issues that should be discussed and organised well in advance of the actual exit, not as the handover documents are being signed.

Activities that business owners plan to undertake to prepare for exit



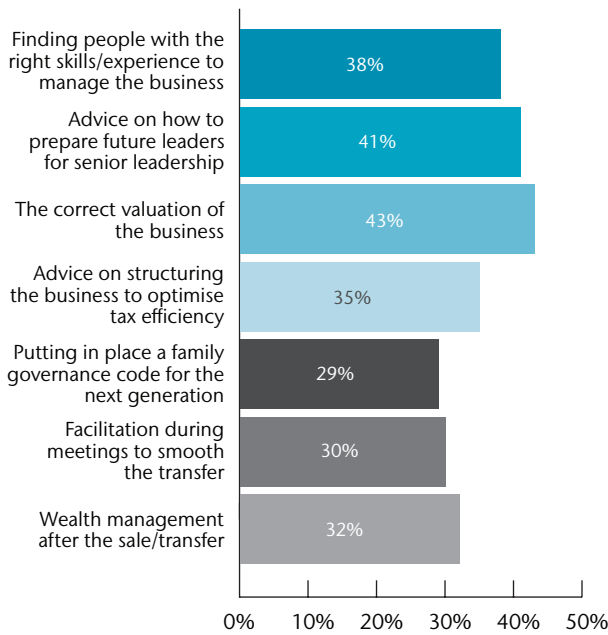
Source: Aon, UK Client Experience KPI Benchmark 2018

4. But also help them see the value of expert advice

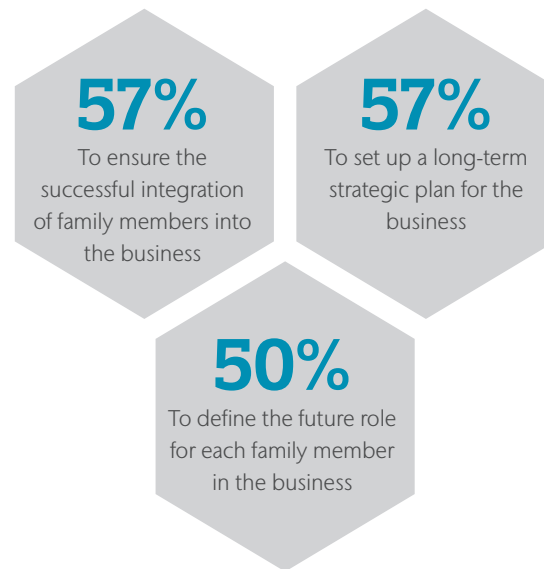
Over 40% of exiting business owners may be keen to put a plan in place to protect their wealth. But actually seeking advice on this appears to be lower down their priorities during the exit process. In our research, only around a third of entrepreneurs said they expect to seek advice on wealth management after the sale/transfer.

The challenge for wealth managers, therefore, is persuading clients to look beyond the sale itself to see how expert wealth management advice could optimise outcomes once proceeds from the sale or transfer have been realised.

Areas in which entrepreneurs expect to seek advice around the transfer of their business



Key motivations for creating a family governance code



5. Be available to work across all generations

Family succession offers wealth managers extensive opportunity to talk to multiple generations both about the future of the business and their personal wealth management. Almost half (44%) of entrepreneurs say it's very important that the next generation participates in a succession plan devised by a wealth manager and many (43%) seek education on business succession from professional advisers.

More than half (57%) of entrepreneurs are also interested in devising a family governance code to clarify a company's long-term strategy and future business roles for family members. This is of particular interest to business owners in Belgium, Taiwan, Poland, Singapore and China. As with other aspects of the exit process, a family governance code needs to be drawn up well in advance of transfer to avoid last-minute tensions and so expectations of incumbent and future owners can be properly reconciled.

Conclusion

- The need and appetite for expert support and advice as entrepreneurs look to step back from a business is high – and is evident globally.
- From executive coaching for successors to advising on wealth protection to helping to draw up family governance codes, wealth managers can help their clients ensure their own wealth and their business are properly future-proofed.
- With half of business owners planning on family succession, those wealth managers, private banks and family offices already serving multiple generations should be powerfully positioned to add value for their elite entrepreneur clients.

For More Information

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About Aon

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