

A yellow pencil with a sharpened lead tip lies diagonally across a sheet of musical notation. The background is a blurred sheet of music with various notes and staves. A large yellow trapezoidal shape is overlaid on the left side of the image, containing the main title text.

Succession planning for family- owned businesses

Panel

Moderator

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Panel

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Why plan?

- ▶ Stakes are high when it comes to succession planning for your business.
- ▶ Effective planning creates opportunities to:
 - ▶ Define and address a company's strategic goals and challenges
 - ▶ Identify the qualifications and expertise needed to meet current and future leadership needs
 - ▶ Provide for long-term business value.
- ▶ Thoughtful planning can:
 - ▶ Circumvent pressure and reduce uncertainty for business owners and families
 - ▶ Strengthen stakeholder confidence
 - ▶ Improve employee morale
 - ▶ Prevent significant business interruptions.



Succession must be considered a process, not an end point.

Succession planning doesn't just happen

More than **80%** of businesses will change hands within 10 years. While **44%** of owners say their businesses are totally dependent on them, **62%** have not chosen a successor. Only **3%** of all family businesses will make it beyond the third generation.¹

Why do businesses struggle with succession²?

25% referenced **inadequately prepared heirs**

10% indicated issues related to **transfer taxation**

60% cited **breakdowns in trust and communication** within the family unit

12% pointed to lack of a family mission or purpose that clearly **defines use of family's wealth**

¹ EY's succession planning for entrepreneurs.

² *Succession, tax and estate planning issues in transferring a family-owned business*, Leonard, Street and Deinard, 2010. All rights reserved.

Potential challenges facing succession

- ▶ Many leading families and family offices and privately owned businesses find that effective management of these key issues are critical success factors for both their companies and their families.
- ▶ What issues are important to you, your business and your families?



Succession planning is neither easy nor straightforward

Four dimensions of succession planning

Ensuring a successful transition requires a focus on four dimensions of your succession plan: **leadership, ownership, legacy and values, and wealth transition.**¹

Those four dimensions sit at the heart of any successful succession plan and are key considerations for all three primary stakeholder groups – owners, families, and the business and investments.



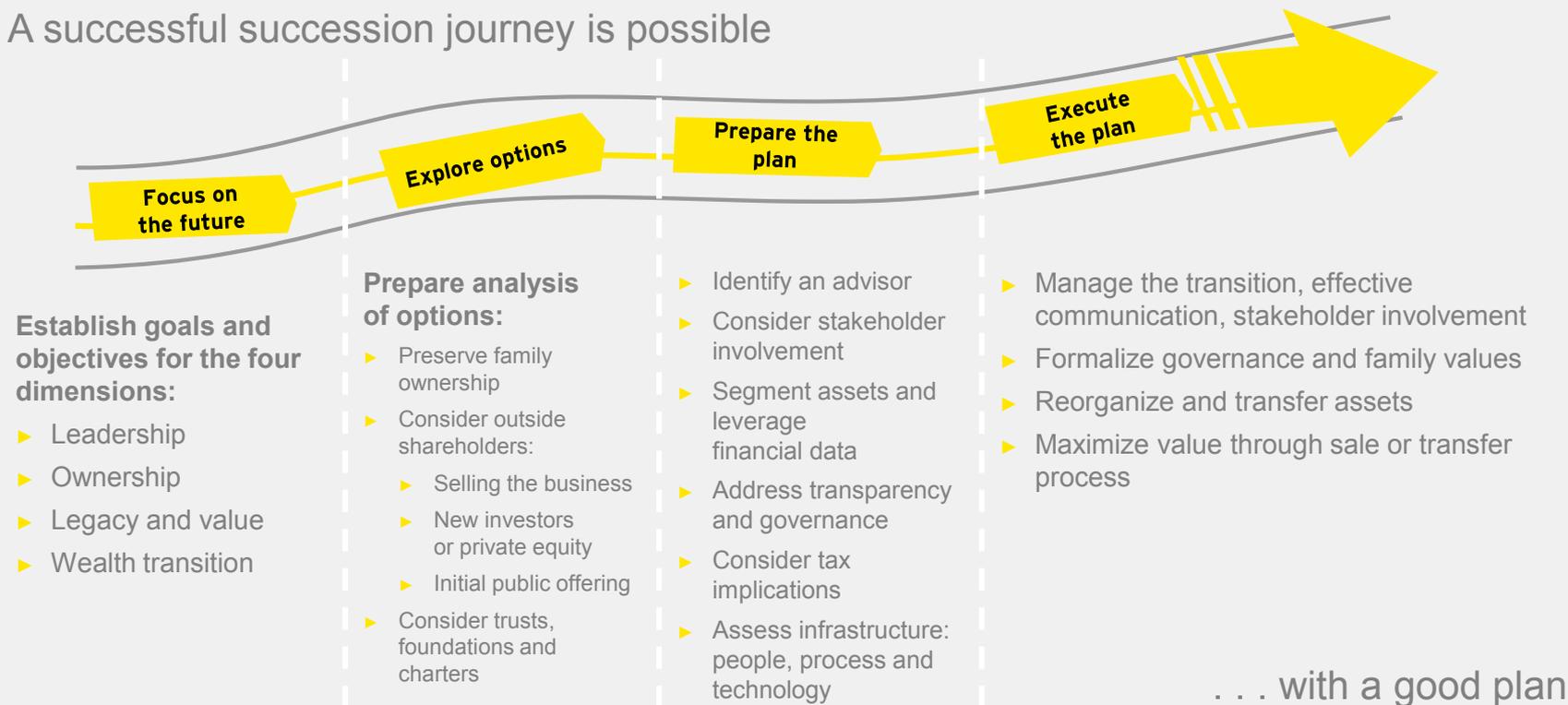
¹ Developed by EY's Family Business Center of Excellence. Visit ey.com to learn more.

The four dimensions of succession

1. Succession in leadership	2. Succession in ownership	3. Define and preserve family legacy and values	4. Transfer wealth to next generation
<ul style="list-style-type: none">▶ Who should lead the business?▶ Family employment and compensation?	<ul style="list-style-type: none">▶ Who should own the business?▶ How should governance be structured?	<ul style="list-style-type: none">▶ Common values and level of commitment?▶ Family philanthropy?	<ul style="list-style-type: none">▶ Beneficiaries and fair vs. equal?▶ Understanding of tax and legal consequences?▶ How much to retain for the current generation?

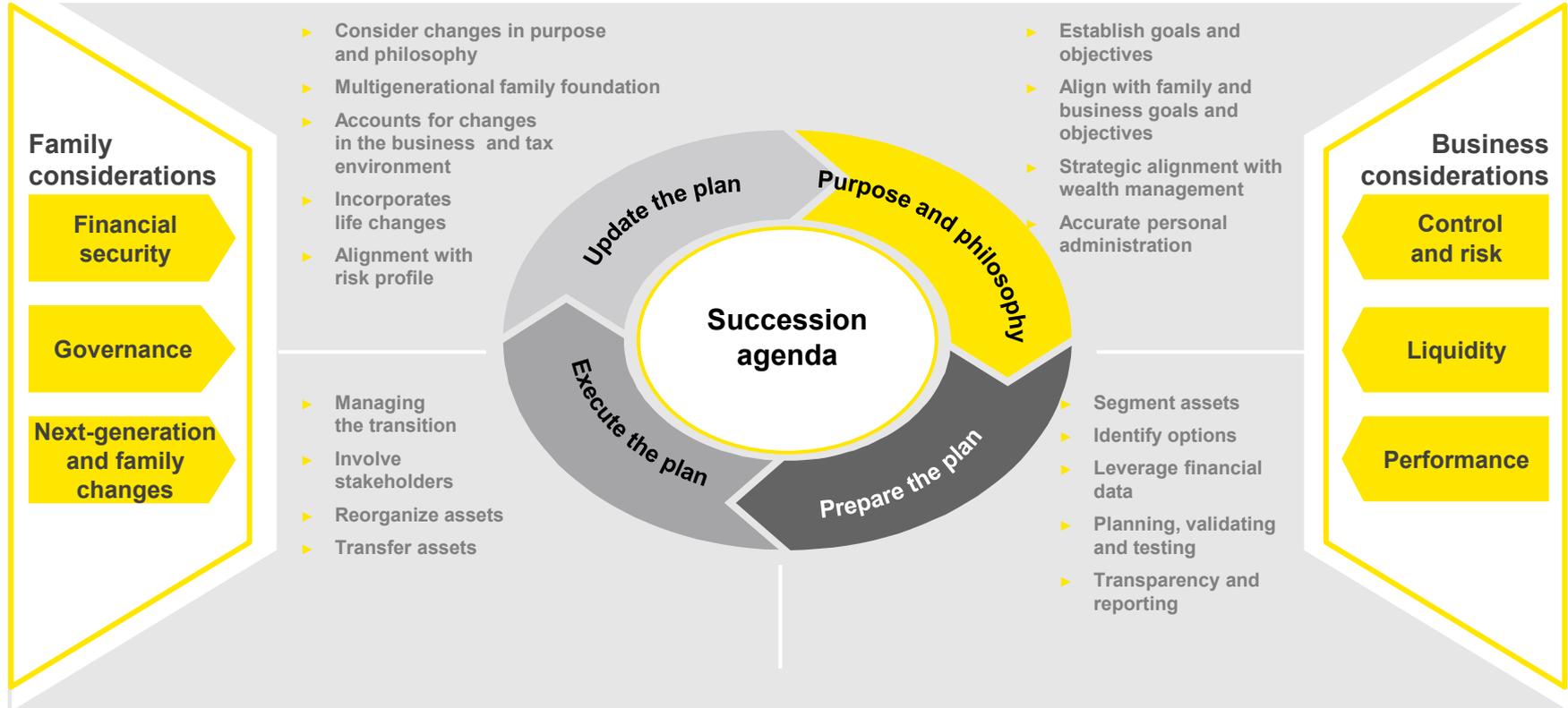
Planning makes the journey possible

A successful succession journey is possible



The Succession agenda

A strategic discussion around family governance and succession planning



Some questions to gauge your readiness

Steps toward effective succession	Considerations	Confidence level		
		Low	Med	High
Focus on the future	Leadership: are you ready and willing to transfer control?			
	Leadership: have you identified who should lead the business going forward and have a view on an effective governance structure?			
	Ownership, wealth transition: who will own the business, and what plans developed for sharing wealth with family members?			
	Legacy and value: will other stakeholders accept the changes and support the business?			
	Legacy and value: what are your family values, and are you confident the next generation will carry them forward?			
	Wealth transition: are you and your spouse or partner confident you will be financially secure after the business is transitioned?			
Explore options	Have you considered an independent view of exit options, including:			
	▶ Preserving family ownership			
	▶ Considering outside shareholders: ▶ Selling the business; new investors or private equity; initial public offerings (IPOs)			
Prepare the plan	Have you engaged someone to coordinate all stakeholders, advisors and banks?			
	What are your objectives concerning business and private assets, and have you considered tax implications?			
	Have you documented objectives and determined your succession strategies?			
	Have you discussed the strategy with stakeholders or family?			
Execute the plan	What change strategies do you have in place to support continuity and preserve value?			
	How often do you revisit your plan to ensure it remains current?			
	Is there an internal and external communication plan in place to assist your successor?			

Why EY?

- ▶ At EY, we have the global experience, knowledge and extensive network to help your business flourish. We can assist you and your family to plan successfully for the future.
- ▶ EY is global market leader in family business, advising 80% of the world's top 500 largest family businesses.*
- ▶ Our EY Family Business Center of Excellence is a global network of teams dedicated exclusively to family businesses and the specific challenges they face.
- ▶ Our EY PCS practice has in-depth tax technical knowledge and experience about succession planning.**
- ▶ We bring the whole of EY to the table for the benefit of our clients.

Visit ey.com to learn more

* Source: Global Family Business Index (from HSG, St. Gallen and published by forbes.com)

** On 5 January 2015, PCS released "the succession agenda."

EY NextGen academy

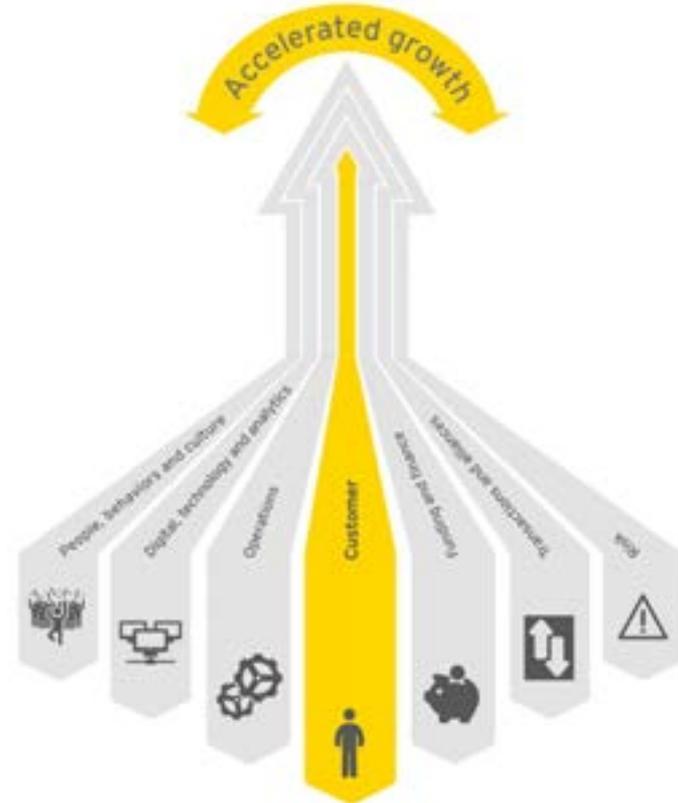
- ▶ The EY NextGen Academy, our unique and exclusive one-week training event designed for young successors in family businesses, fosters a broad perspective in the family business leaders of tomorrow.
- ▶ In collaboration with world-leading business schools, the EY NextGen Program supports these next-generation members (ages 16-30+) in managing their individual life cycle of succession.
- ▶ For more information, go to www.ey-nextgen.com



EY's perspective on organizational growth

The road to market leadership

- ▶ Research points to seven critical drivers for business success and accelerated growth.
- ▶ To rise to a position of market leadership, a company must first have a growth strategy for each of the growth drivers.
- ▶ One of those key drivers – people, behaviors and culture – comprises succession planning, which is critical for the growth and sustainability of a business.



Next steps

- ▶ Visit the Family Business Center of Excellence to discover what resources are available (<http://familybusiness.ey.com>)



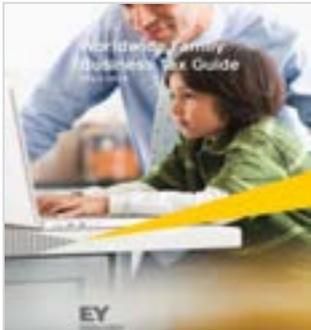
Staying power:
how do family
businesses
create lasting
success?



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Coming home
or breaking
free?



Worldwide
Family
Business Tax
guide



Wealth under
the spotlight
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EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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