



CLA Global TS

The Growth Strategist For Asia

Succession Planning: Ownership-Focused Continuity and Legacy Preservation

Private Wealth Series - Part 3

*Featuring lessons from the late Nippon Paint tycoon's
inheritance play*

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As part of legacy planning, business owners must give careful consideration to succession or exit strategies. Whether passing the business to the next generation or preparing for a sale, this transition should be approached with a strategic mindset—one that focuses on enhancing enterprise value while ensuring continuity and stability.

At the heart of any successful transition lies ownership. Ownership structures shape incentives, influence power dynamics, and can have lasting implications on family relationships long after founders step aside. When treated as an afterthought, even the most capable successors may find themselves constrained by misaligned rights, fragmented control, or unresolved expectations. Conversely, when thoughtfully designed, ownership can serve as a stabilising foundation that enables leadership, governance, and strategy to evolve over time.

As business leaders prepare to step away from their ventures, they must address a wide range of factors to ensure a smooth transition that preserves the value they have worked hard to build. This goes beyond financial considerations. It involves assessing the current state of the business, understanding legal and structural implications, aligning stakeholder expectations, and proactively managing potential challenges through careful planning and foresight.

Importance of Transition

In today's evolving landscape, ensuring a smooth transition requires not only strategic foresight but also adaptability to changing market conditions. There is no one-size-fits-all approach. The reasons for selling and consequently, the planning and execution can differ. Each divestment process is unique, requiring a strategy specifically aligned with the business owner's objectives, the value and scale of the business, and the industry in which it operates.

There are many reasons why businesses change hands. Usually, the circumstances are planned, such as the owner retiring and wanting to realise wealth tied up in the business, or they want to scale up the business, with the help of a strategic acquirer, so they can step back from the day-to-day running. However, sometimes unforeseen circumstances force succession or sale e.g. owner's ill-health, surprise interest from a competitor or other buyer, as well as favourable or unfavourable market conditions, etc.

Business succession can be complex and fraught with risks, especially if executed hastily without sufficient strategising and due diligence. It can also cause disruptions for employees, suppliers, and customers.

Strategic Foresight - The Key To Seamless Succession

Effective succession and sale planning are essential to business continuity, preserving the value of the enterprise, and providing financial security for the owners. Without proper planning, businesses risk losing momentum, experiencing operational disruptions, and potentially diminishing in value. Key elements of successful planning include the following:

▶ **Strategic planning**

Initiating the succession or sale process well in advance allows for a smoother transition and better preparedness for unexpected challenges.

▶ **Valuation**

Understanding the true value of the business is crucial. Accurate valuation helps in setting realistic expectations and negotiating fair deals.

▶ **Professional advice**

Engaging management consultants, accountants, and lawyers can provide critical guidance throughout the process, ensuring compliance with regulations and optimising financial outcomes.

▶ **Succession training**

For those opting for internal succession, particularly in family-owned businesses, preparing the next generation or internal leaders through training and mentorship is essential for a seamless handover.

▶ **Market positioning**

Enhancing the business's market position and operational efficiency can make it more attractive to potential buyers or successors.

Strategic plans should align with your business objectives, which fall into the following broad categories:

- ▶ Creating a disruptive business or technology that may change ownership quickly. This may involve attracting start-up venture capital.
- ▶ Building and expanding a medium-term business. This may involve attracting critical skillsets, injecting additional capital through debt finance, investors, or injecting your own personal capital.
- ▶ Maintaining and sustaining a long-term business, such as a family business. This may involve several stages of workforce expansion, capital raising, purchases, and restructuring.

The key considerations of a successful succession or exit strategy include the following:

▶ **Purpose**

What do you want to achieve? Full sale or partial sell-down and to whom i.e. family, investors, shareholders, a competitor, or employees?

▶ **Preparation**

Who would be interested? How would you find them? What makes your business attractive to them and therefore maximises your business value?

▶ **Process**

Which exit option is the most appropriate to help you achieve your goals and deliver the best outcome?



A Fool-Proof Exit

Defining your purpose is key to a successful exit strategy. Clearly articulating what you want to achieve with your exit is crucial for guiding the entire process and making informed decisions. Each business owner's strategy for selling or transitioning their business is distinctive, crafted to fit the circumstances and attributes of their company, and guided by the following objectives:

- ▶ Optimise retirement options and divest fully.
- ▶ Transition management and/or ownership to the next generation.
- ▶ Find a business partner or investor to purchase a percentage of equity in the business.
- ▶ Grow the business and take it to the next level with a private equity partner or by listing it on the exchange, while potentially remaining a shareholder.

By understanding and articulating what you want to achieve, you set a clear direction for the entire process, align stakeholders with your vision, and shape a strategy that meets your goals. A well defined purpose will guide you through the complexities of the exit and ensure a successful outcome.

Preparations for the Future

Preparation is key to maximising the value of your business and ensuring a successful exit. By conducting a comprehensive business valuation, improving financial health, addressing operational efficiency, ensuring legal and compliance readiness, preparing for due diligence, and engaging with consultants, you can increase the attractiveness of your business. Effective preparation not only optimises value but also facilitates a smoother transition, enabling a successful exit.

Once there is a clear purpose for transitioning out of your business, it is important to consider the following matters before you commence what will be a detailed and lengthy preparation process:

▶ **Who would the business be attractive to?**

Assess who would be interested in the business and put together a list of potential buyers or investors, which could include family members, management within your business, competitors, customers, suppliers, or private equity.

▶ **What are you selling or transitioning?**

Clear understanding of the scope of sale is key. It is important to specify whether you plan to sell the entire business or only a portion of it. It is important to differentiate between selling assets, which involves transferring ownership of specific items like equipment, inventory, and intellectual property, and selling shares, which transfers ownership of the entire company, encompassing all assets and liabilities. Clearly outlining what will be included and excluded from the sale is key, especially in family businesses where personal and business assets may overlap.

▶ **When planning an exit strategy, a key decision is whether to pursue a sale process or bilateral transaction.**

Each approach has distinct characteristics and implications, so understanding the differences can help you choose the best path for your business. Determine early if there are any family or commercial reasons why you would not undertake a competitive bidding sale process. Competition is central to achieving value, particularly in a trade sale. However, some business owners may wish to keep employee details and commercially sensitive information, such as customer lists, private. This may require a more bespoke bilateral sale process with one or two prospective buyers.

Preparation means getting your business into a position where it is effectively “investor-ready” or “sale fit” well ahead of the time you plan to hand over the baton to another family member or to take it to market.

Preparation minimises the risk of surprises arising when prospective purchasers or investors are undertaking a deep dive into your business during the due diligence period, which could compromise a transaction or make parties walk away.

Transitioning is NOT a Single-Year Process

Transitioning out of your business is not an overnight process. A well-conceived and executed succession or sale plan, whether by management buyout or initial public offering (IPO) for example, is a multi-year process. Planning and preparation will put your business in the best shape to transition to other family members or to attract the right buyer or investor, using the right succession or sales strategy, at the right time, to maximise value. A business can increase its attractiveness to potential investors by showcasing the following attributes:

Strong financial performance

Consistent revenue growth, healthy profit margins, and positive cash flow indicate a well-managed, profitable enterprise.

Scalable business model

A business with a scalable model can expand efficiently, making it appealing for investors seeking high growth potential.

Competitive advantage

Unique value propositions, such as innovative products or strong market positioning, set the business apart from competitors.

Experienced management team

A leadership team with proven expertise and a clear strategic vision reassures investors of the business's ability to execute its plans.

Sound business plan

Clear strategies and realistic financial projections demonstrate how the business plans to achieve its goals and attract returns.

Market traction

Evidence of strong customer demand and sales validate the potential and operational effectiveness of the business.



Below is an illustrative roadmap:

3 years from exit:

- ▶ Write down your succession objectives.
- ▶ Consult your spouse and stakeholders.
- ▶ Consider what the external market is currently doing and how it will perform in three years.
- ▶ Key factors in the timing of sale include the following:
 - Economic cycles impacting the business.
 - Timing of major customer contract renewals.
 - Key business milestones.
 - Lease renewal dates.
 - Tax considerations.
 - Stage of business growth cycle.

2 years from exit:

- ▶ Establish and deliver on a business plan focused on sustainable growth.
- ▶ Identifying risks and take action to mitigate them.
- ▶ Secure customer relationships through contracts.
- ▶ Ensure robustness of financial information i.e. audited financial statements and reliable management accounts will provide buyers with greater confidence.
- ▶ Review stock levels. Many private businesses hold excess stock, which should be monetised ahead of the business sale.
- ▶ Ensure related party arrangements are on arm's length terms.

1 year from exit:

Many private businesses are highly reliant on the business owner and may also employ other family members. Buyers will be concerned if much of the goodwill resides with the business owner, rather than the business itself e.g. key customer and/or supplier relationships. If the owner plans to leave the business, it will be important to do the following:

- ▶ Establish a broader management team with the capability to drive the business forward.
- ▶ Transition key roles and relationships.
- ▶ Document systems and processes.
- ▶ Consider the ongoing role of family members.
- ▶ Consider incentive structures to retain key management.

What Buyers are Looking For

Potential buyers will want to assure themselves that the business has a sound business model, clear growth strategy and strong fundamentals underpinned by robust and standardised systems and processes. Below are the key elements for consideration:

▶ Corporate governance

- Put in place or review existing shareholder's agreements to ensure they align with business objectives.
- Ensure company records and registers are up to date.
- Simplify tax structures if necessary, particularly if only part of the business is being sold.
- Ensure all legal, legislative, regulatory, and professional standards are being met.
- Consider setting up a Board of Directors with suitably skilled external parties.
- Record or update business procedures and processes.
- Ensure business records are well organised, current, and backed up.
- Implement security and privacy measures to protect business data.
- Ensure assets, including intellectual property, are properly protected and safeguarded through means such as insurance, security, patents.

▶ Management structure

- Establish a management team, if not already in place, with KPIs and formal performance appraisals. Each management team member should have clearly defined roles and responsibilities.
- Ensure compliant employment agreements are in place and assess whether incentive schemes or employee share options are required or beneficial to motivate and lock in key staff and skillsets.
- Ensure a clear succession plan is in place for all key staff and management
- Ensure that the business can continue operating smoothly without the direct involvement of owners, especially in the case of a sale where the owner may exit.

▶ Business model

- Identify competitive market advantage.
- Have key business data readily available.
- Demonstrate future growth or demand.
- Ensure intellectual property projections are in place for trademarks, patents, or copyrights.
- Assess customer spread to ensure the business is not reliant on a few customers or clients or is concentrated in one or two industry sectors.
- Understand the addressable market, its dynamics, and growth prospects.
- Focus on margin preservation and growth and understand the levers for margin expansion.
- Assess business's labour capacity and its ability to achieve productivity improvements or expand operations.
- Assess risks for market or industry disruption and develop mitigation strategies across areas such as labour and key suppliers.

Knowing the Balance in Transactions

Completing the transaction depends on finding a balanced compromise between what an owner believes their business is worth and what a purchaser is willing to pay to own or invest in it. Business owners can inform their expectations and a defensible price position by undertaking a valuation of their business. Valuation is a formal quantitative process to derive a business valuation that includes capitalisation of earnings and discounted cashflow methods.

Purchasers may not always agree with the valuation or the key assumptions behind it and may propose a price at a point where they see value. This can then become a negotiating point. Sometimes, buyers will pay more if they see the strategic value or synergy that can be achieved through an acquisition.

Price is the agreed point between a seller and buyer at which a business can be transacted. It can be influenced by factors such as industry consolidation, the level of capital availability in the economy, and the strategic attractiveness of the business.

Influence of the Businesses' Enterprise Value - Succession or Sale

The sophistication of private and public capital markets and the proliferation of new private investment funds and vehicles, including the rise of family offices, has created more opportunities for business owners to attract investors to help them transition out of their business, in full or part.

Your succession or sale options will primarily be influenced by the enterprise value of the business. This enterprise value may also be impacted on by a range of qualitative factors specific to your individual business and market demand. Some business owners, particularly those leading larger companies, may consider pursuing one or more sale options, such as a trade sale or IPO, to give them the flexibility to choose the one that promises the best outcome. All options have different legal and tax implications that need to be considered and managed, including ensuring suitable arrangements and agreements are in place with customers, suppliers and employees who are critical to business continuity. Succession, sale and exit options include family succession, management buyout, trade sale, private equity, IPO, and orderly wind down.

Family succession

Keeping a business in the family is becoming increasingly difficult as younger generations forge their own career paths. That is why succession planning, identifying who is willing and qualified to lead the family business, is important, particularly as older business owners approach retirement. Key considerations include the following:

- Map the employee, director, and ownership relationships to understand the level of involvement and investment of all family members. There are many variations that can impact succession planning dynamics.
- Align family and business goals, such as through a family charter.
- Maintain transparent communication among all family members.
- Engage a third-party intermediary to facilitate negotiations between family members.
- Update or establish shareholders' agreements that include buy-sell provisions.
- Consider what form the ownership transfer will take.
- How will it be funded?
- Obtain concurrent estate planning advice.

Management buyout

A management buyout typically involves existing members of a company's management team, or an external team, putting forward an offer to buy out all or part of the company from the current owner. This usually involves debt funding or co-investment with a private equity firm. It can be a smoother transfer because of the continuing management team's knowledge of the business and its operations. It can also form part of a succession planning strategy in a family business. Key considerations include the following:

- Obtain advice on managing conflicts of interest and access to commercially sensitive information from the management buy-side during the process
- Consider the implications of buying out current company shareholders.
- Bring in an independent advisor to evaluate the proposed agreement.
- Assess the management team's ability to secure financing.
- Ensure alignment between the management team's values and the owner's vision, and values.

Trade sale

A trade sale is a transaction involving the sale of one business to another, such as a smaller business to a competitor or a larger company, often in the same industry sector. It can be a merger or an acquisition. Key considerations include the following:

- Determine whether it will be an asset sale or a share sale?
- If a competitor is the buyer, will the deal require regulatory clearance?
- Maintain strong business performance throughout the sale process.
- Select a marketing option that takes into account any commercial sensitivities which can include broad auction, limited auction, targeted auction, exclusive negotiation.

Private equity

Private mid-market companies are targets for private equity (PE) firms. PE firms look for businesses with strong fundamentals and a track record of performance but need capital and expertise to grow and expand. PE firms acquire businesses using capital from investment funds they operate on behalf of institutional investors. They can buy either a majority or minority stake in a business, depending on circumstances. In family businesses, private equity can help foster the skills of second or third-generation family members to step into management roles. Key considerations include the following:

- The private equity investment horizon is usually medium term, with firms seeking a liquidity event in about five years. Some firms may put in place longer-term arrangements, depending on the industry sector.
- Alignment of the owner's business mission, vision, and values with that of the private equity firm.
- Industry-specific or technical knowledge of the private equity firm.

IPO

Taking your business public is a major step that requires significant planning and can take about two years to complete, depending on the complexity and size of the business and the sector in which it operates. Key considerations include the following:

- Businesses are subject to a higher level of public scrutiny.
- Increased reporting requirements, including disclosure protocols and enhanced regulation.
- Pre and post listing costs, such as preparing expressions of interest, disclosure and contract documentation, and establishing a Board of Directors with relevant experience.
- Higher costs and administrative demands, such as the need to appoint a company secretary.
- Potential loss of competitive market advantage as a publicly traded company.

Orderly wind down

Deciding to wind down a business is incredibly difficult for any owner. However, if an honest assessment of the business's revenue, profit, customer base, market position, and growth prospects determines that it lacks the necessary profile for sale, and there are no family member to take it over, winding it down may be the best option. For businesses with assets, such as equipment or property, these can be sold to quickly realise their value. If the business has stock or inventory, it can be sold over time to recover working capital before ceasing operations.

Cautionary Steps for Legacy Planning

Below are the main reasons why a business sale could fail:

- Economic downturns and industry specific challenges that can impact buyer interest and financing options.
- Lack of planning.
- Excessive business complexity, such as its structure.
- Decreasing revenue or profit margins, or the loss of key customers or contracts.
- Stakeholders in the business (not bound by a buy-sell agreement) refusing to sign off.
- Due diligence uncovering issues.
- Board of the prospective buyer not approving the purchase.
- Poor advice from advisors or lack of clear communication between all parties.
- Misalignment of vision and value.



Business owners will need a multi-disciplinary team of professionals to manage and undertake the process, led and coordinated by a project leader. The skillset mix of your team will be determined by the succession or sales strategy you choose.

▶ Consultants

- Act as an overall project manager.
- Provide preliminary business valuation and gap analysis.
- Prepare relevant sale documents for sale (such as information memorandums and process letters) and identify potential buyers.
- Market the business and assess offers.
- Negotiate the transaction and drive it to a financial close.

▶ Lawyers

- Conduct legal due diligence.
- Draft and review contractual agreements.
- Secure regulatory approvals.

▶ Accountants

- Preparation of financial statements.
- Provide vendor due diligence services.
- Offer tax planning and structuring to maximise the after-tax sale consideration for the owners.
- Calculate working capital.
- Assist with estate planning, particularly for family businesses.
- Advise on capital gains tax implications, including applicable concessions and liabilities.
- Manage transfer duty and land transfer process.
- Allocation of the purchase price.

▶ Other advisors

- Engage a real estate agent if the business includes property.
- Provide insurance advice.
- Consult industry-specific experts like sponsors and banks to support the IPO process.

A Case Study: Lessons From The Late Nippon Paint Tycoon's Inheritance Play

Ownership shapes incentives, power dynamics and family relationships long after individual leaders step aside. When ownership is treated as an afterthought, even capable successors can find themselves constrained by misaligned rights, fragmented control or unresolved entitlement. When designed deliberately, ownership becomes the stabilising force that allows leadership, governance and strategy to evolve over time.

A recent regional example illustrates this distinction in practice.

Deliberate Separation: The Nippon Paint Structure

Before his passing in August 2025, the founder of Nippon Paint Southeast Asia (Nipsea) quietly put in place a succession structure that challenged convention.

Rather than transferring ownership, management and control together to a single generation, the Nippon arrangement intentionally separated economic ownership, voting control and leadership exposure across generations.

Specifically:

- ▶ **Economic ownership** of the family's holding company was transferred to six grandchildren
- ▶ **Voting control**—more than 90 per cent—was retained by his son through a special class of shares
- ▶ **Management and board participation** for the third generation was introduced selectively, not automatically

In effect, wealth moved forward, control remained consolidated, and leadership succession was allowed to progress at its own pace.

The significance of this structure lies not in its complexity, but in its discipline. Ownership was not used as a proxy for authority, nor was leadership treated as an inherited right.

Ownership Is Not A Single Right — It Is A Bundle

Families often struggle with ownership planning because they treat it as binary: **you either own, or you do not**. In reality, ownership is a bundle of distinct rights that can, and often should be thoughtfully separated:

- ▶ **Economic participation** (dividends and capital appreciation)
- ▶ **Voting power** (strategic and constitutional decisions)
- ▶ **Liquidity rights** (ability to sell, exit or encumber shares)
- ▶ **Influence and access** (information, board presence, visibility)

The Nippon structure disentangled these rights deliberately. The next generation benefited economically without being thrust prematurely into control. Voting power remained with someone already seasoned, accountable and deeply embedded in the business.

This distinction is critical, because not every heir is ready—or suited—to exercise every ownership right at the same point in time.

Fairness Is Not Sameness

Many ownership disputes stem from a well intentioned but simplistic idea of fairness: **everyone should receive the same thing, at the same time.**

The Nippon example reflects a more nuanced principle: **fair does not mean identical; fair means appropriate.**

- ▶ The third generation gained long term wealth participation
- ▶ The second generation retained responsibility and accountability
- ▶ The business avoided fragmented control during a sensitive transition

For families of scale, particularly those spanning multiple geographies, age groups and degrees of involvement, equalising outcomes does not require equalising rights.

Why Holding Companies Matter

Another important feature of the Nippon arrangement was where ownership was held.

The grandchildren did not own shares in the listed operating company directly. Instead, they held interests through a **private holding vehicle** that controlled the listed group.

This holding company layer serves several structural purposes:

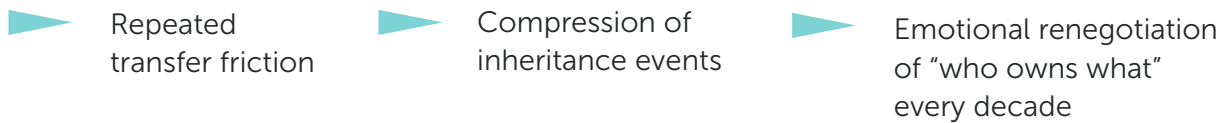
- ▶ Reduces the risk of emotional or premature share sales at the open market
- ▶ Preserves family control against market dilution
- ▶ Provides a governance platform for family rules, exit policies and decision making

In many successful family enterprises, holding structures are less about tax optimisation and more about **behavioural risk management**.

Ownership Is Ultimately About Time

Perhaps, the most overlooked aspect of ownership planning is that it is not designed only for people but also designed for time.

By transferring economic ownership forward while consolidating control, the Nippon structure avoided another major ownership transition in the near future. This reduces:



Ownership, in this sense, becomes a mechanism for buying time: time to groom leaders, time to observe capability, and time for the next generation to mature into stewardship rather than entitlement.

Call To Action

If succession planning is meant to endure beyond any single generation, ownership cannot be left to default or convention. Families would do well to examine not just who owns the business today but what those ownership rights actually mean, and whether they remain fit for the next 20 or 30 years.

The most resilient successions start not with documents, but with deliberate conversations about control, entitlement and stewardship.

How CLA Global TS Can Help

CLA Global TS has the breadth of relevant professional expertise to help you evaluate options, prepare your business for transition, and execute the plan. With a robust succession plan, you can future-proof the business and create a lasting impact that extends beyond your tenure, as part of your legacy planning.

We work with family businesses and wealth owners to reframe ownership as a long term governance tool and not a one off transfer exercise. In practice, this includes:

- Clarifying the distinct roles of economic ownership, voting control and management authority
- Stress testing existing ownership structures against future generational scenarios
- Designing holding, voting and governance arrangements that preserve stability while retaining flexibility
- Facilitating structured family discussions around entitlement, accountability and expectations

Our role is not to impose a template, but to help families design ownership frameworks that are intentional, sustainable and aligned with how both the enterprise and the family evolve over time.

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