



# Succession Planning

Preparing your Family Business for the  
Intergenerational Transition



# Overview

Pakistan's landscape is inundated with Family-Owned Businesses many of whom have never actually considered issues related to succession planning. Succession planning is a strategy for passing each key leadership role within a company to someone else in such a way that the company continues to operate after the incumbent leader is no longer in control.

Succession planning ensures that businesses continue to run smoothly after the business's most important people move on to new opportunities, retire or pass away. Our team has helped several businesses, locally and internationally, to navigate the succession planning process. Our comprehensive succession planning approach not only develops an outline for a Family Constitution & Shareholders' Agreement but also develops a full plan for & provides Coaching & Mentoring services to the key personnel of the organization.

As Pakistan achieves longevity and maturity as a nation, many of the family businesses operating within the country are also maturing. with the older generation expecting to hand over the reins to the next generation. Consequently, there is now an urgent need for such businesses to develop a comprehensive succession planning strategy.

## What is a family business?


Family-owned businesses are characterized as organizations/firms in which the majority of the shareholders belong to the same family and participate substantially in the management, direction, and operation of the company.

## Common problems with Family Business

The problems peculiar to family businesses arise due to the influence of the *family system* on the *business system*. The interaction of these two systems increases the potential for conflict

## Importance of Succession Planning

- Business Survival
- Ensuring family harmony
- Access to funding
- Strategic Opportunities

A photograph of two men in a professional office environment. On the left, an older man with white hair and a beard, wearing a dark vest over a light blue shirt and a dark tie, is looking down at a laptop. On the right, a younger man with dark hair, a beard, and glasses, wearing a grey blazer over a white shirt, is also looking at the laptop. The background shows large windows with a grid pattern, letting in natural light. A dark grey triangular graphic element is overlaid on the bottom left of the image, containing white text.

“The problems peculiar to family businesses arise due to the influence of the family system on the business”

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## What is a Family Constitution?

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The Family Constitution (also known as a family charter or family protocol) is a written statement that serves as a record of the family's heritage, culture, hopes and ambitions for future success, as well as a plan for how to achieve them. At its core will be the mission statement for the family and their clearly stated hopes and aspirations for the current and future generations.

The main aspects of the constitution include:

- Documentation of Family Values and Beliefs
- Bill of Rights for Family Members
- Bill of Responsibilities of the family members
- Entry into the family business
- Exit from the family business
- Right to receive dividends
- Succession related issues
- Resolution of family disputes



# What is a Shareholders' Agreement?

The key terms and conditions considered in the agreement include:

- Roles and Responsibilities
- Decision Making Process
- Remuneration Arrangement
- Exit/Entry into the business
- Transfer of Shareholding
- Voluntary Exit
- Death/Incapacity of Shareholders
- Appointment of Directors from the various families
- Dividend Policies
- Restraint of trade

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## Deliverables:

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Our typical Succession Planning Process entails the following deliverables:

- Family Constitution
- Outline of Shareholders Agreement
- Strategic Review Report
- Coaching & Mentoring Services



## Get in Touch

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