Taking over at the helm of a company: duties, challenges and solutions

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February 4 2019

The issue of taking over at the helm of a company has long been – and is still today – a taboo in Africa. When the time comes to appoint a successor, it is often perceived as being the end of the world. But for Mossadeck Bally, Founder, Chairman and CEO of Azalaï Hotels Group – an African hotel giant –, this issue can and must be addressed calmly, in particular through a good governance policy.

JEUNE AFRIQUE

This article was published by Jeune Afrique and is available on Internet: https://www.jeuneafrique.com/674908/economie/tribune-preparer-sa-succession-un-defi-pour-les-entrepreneurs/

Every company inevitably comes into being through an idea, a vision which will subsequently be shared, communicated and finally realized through actions. Cumbersome administrative and legal procedures used to entail high costs (formal and informal) in the business creation process and this was an initial and huge barrier for a number of budding African entrepreneurs. Nowadays, fortunately and in the overwhelming majority of African countries, these formalities have been greatly simplified, making formal business creation easier and less expensive.

There are an increasing number of African entrepreneurs and they all move into sectors of the economy, with some success. However, one of the difficulties they often face, after having got through the difficult first years, is still the sustainability and transfer of their company.

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ADDRESSING THE ISSUE OF SUCCESSION WITHOUT COMPLACENCY

While legal instruments allow a company to be created with a renewable lifespan of 99 years, very few reach their tenth anniversary. A small proportion of them come into being, grow and disappear, while the majority of companies disappear even before growing. One of the main causes of this phenomenon is the confusion between the company and the people it is made up of, in particular the founder(s), the main driving force of the company's activities.

In most cases, when the company does address the need for a strong governance policy, it disappears with its founder, who has not established a clear policy to prepare his/her succession. Yet the nightmare for many entrepreneurs is to see their project, their work, their vision, which they have often devoted all their energy and best years to, disappear one day.

SUCCESSION: A TABOO IN AFRICA

Any entrepreneur who wishes to have a viable company that survives them should establish a good governance policy in their organization and address the issue of their succession without complacency. The entrepreneur needs to constantly share their vision and ensure that their employees and partners take this vision on board.

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Who will take the place of the boss? Have they thought about their succession? Who could talk to them about it? All these questions remain taboo in Africa. The idea of a successor gives the feeling that it is the end of the world and some do not hesitate to warn anyone who dares touch on the question. It is therefore necessary to find ways for the idea to come from the entrepreneur without feeling that they are being rushed.

While one of the skills of an entrepreneur is their ability to manage the difficulties encountered throughout the life of the company, the first is to be able to foresee and anticipate new issues which could hamper the company's activities or its sustainability. This notion is especially important in terms of succession, as it is sure that the founder will inevitably be forced to leave the company one day.

In certain African companies, following the death of the "founding father" and boss, it is not unusual to see the rights holders before the courts in drawn-out court cases over succession issues. Everyone believes they deserve the largest share and attach little importance to the continuity of the business, which will be wound up before too long. A step-by-step succession plan can attenuate this phenomenon.

KNOWING HOW TO PASS ON THE BATON

Some entrepreneurs, for their part, manage to plan their succession, not with objective criteria, but rather on the basis of family ties. They do not make sure that the successor has the ability to manage the complex issues imposed by entrepreneurship. There are also cases where the rights holders maneuver to revoke the institutional successor and “place” their representative, who generally lacks know-how and vision, which thereby leads to the company being wound up. It is not forbidden, or even immoral, to be replaced by a member of your family in a private company. However, this must be done subject to the choice of this succession being strictly based on objective criteria: mainly competency. Consequently, what can be done to prevent the disappearance of a company which is economically viable, but runs the risk of suffering the torment of a chaotic succession? There is no magic formula. Each entrepreneur is different, each company is a textbook case. But it is possible to make certain assumptions which would appear to have worked relatively well in other lands.

First of all, a successful succession needs to be prepared well in advance and can take several years depending on the size of the company. The subject should not in any way be taboo and should, on the contrary, be addressed as a strategic issue. This is to avoid prematurely starting a war of succession which, in turn, will have very harmful impacts on the company’s activities (wait-and-see attitude, worried teams, worried creditors and suppliers, etc.). If the founder handles the process, they would do well to identify the person and put them in a work situation quite early on, in order to test their managerial capacities and, especially, their leadership. As far as possible, it is also recommended not to inform either the person under consideration or the company’s teams that this person is being considered to take up the torch. Consequently, in medium-sized and large companies, the task which involves testing and appointing a successor could be entrusted to a select strategic committee, composed of independent and experienced people, who will only report to the founder.

A family succession is perfectly feasible provided that the person chosen in the family has closely followed an impartial selection and testing process. In addition, for a company to survive its successor, it is absolutely necessary for the ownership of the assets (majority shareholder) to be separate from the management of the assets. In other words, it is possible to own the company without managing it, and when the person does manage it, it is because they have been selected on the basis of strictly professional criteria and competencies.

Finally, for a succession to run smoothly, the founder must open up their company to external expertise while they are still active (independent directors, independent Board committees, external audits and advice, etc.). By opening up, it is possible to correct the shortcomings of a paternalistic management and prepare managers to take on more responsibilities and pull their own weight. A team of well-trained managers, properly supervised by an independent and competent Board of Directors, considerably facilitates the transfer of a company.

The transfer of a company in Africa can, perhaps more than in any other geographical area, be a real headache. If the head of the company does not make prior arrangements, it is not unusual to see companies torn apart by a “simple” matter of succession. Yet, as we have shown, establishing a good governance policy in the company is unquestionably a way of addressing this issue calmly, free from taboo and in a very efficient manner.