



How effective succession planning can maximise business success

While many companies in Africa are family-run, not enough of them are considering their succession plans to the next generation, explains [John Félicité](#), Director - [Ocorian Mauritius](#).

In Africa, many companies are family-owned and controlled by the founders. At the same time, a new generation of entrepreneurs is emerging on the continent who are eager to pick up the mantle of business. This bodes well for a continent with a young and rapidly expanding population.

However, for the momentum to be sustained, business owners in Africa need to act now to help secure a more prosperous future. The prevailing philosophy tends to be 'live in the present', but a better one might be 'look to the future'.

Many companies in Africa have very little in terms of plans to safeguard against "key man" risk, which is what happens if a key figure in the business dies or is incapacitated (which is a serious possibility since many businesses are controlled by those in their dotage).

What is missing is an effective succession plan. Succession planning involves establishing agreements, trusts and efficient structures that enable the smooth transfer of assets. The formation of informal or more formal family offices with teams of accounting, legal and investment professionals also helps to create accountability and responsibility. This supports the family to work together to achieve common goals. This should go hand in hand with good communication strategies.

In most African businesses the idea of a succession plan is never dealt with in business setups. According to a [study conducted](#) by PWC South Africa in 2016, the key potential failure of family businesses was succession planning, with only 17% of family entities having a succession plan in place compared with 13% in the 2014/15 survey.

The lack of a succession plan has been seen to adversely affect most African businesses especially those that are family businesses. Change happens fast and businesses may not get a second chance to adapt if key personnel leave. At worst, businesses are going under for want of a succession plan.



This is particularly pertinent when 65% of African business families' top priority is growth, according to a [recent PWC Family Survey report](#). Successful families need to see their business interest grow by 10% every two to three years. This is essential to protect the family's interests - easier to be done in an emerging market environment than in a developed market. A succession plan provides a solution to facilitate the growth of the family business and create and maintain a legacy that can grow from generation to generation.

Bringing the "next gen" into the family discussions sooner will create harmony and build the foundations for a secure transition of responsibility. This ability to use the family business as a bouncing board to other interests is becoming more common.

Sustainability is another key concern of family-owned businesses in Africa. In our experience, many of our family business clients are very aware of the impact of their investments on the environment and their local communities. For them, they are as concerned about ESG (environmental, social and governance) as they are about ROI. This is really an area where we see families pull together using proper governance structures to drive the direction of family interests.

Taking over a family business is not easy and is particularly difficult if the next gen does not have the respect of the incumbent workforce. Evidence of experience gained outside the family business will go towards earning credibility and respect. Authenticity is key, along with credibility of competence and a lot of humility in the knowledge that the workforce are the ones who drive the business.

Many of the "next gen" are US, or EU educated, and really are hybrids of two worlds combining ancestral tradition and respect with modern technical knowhow. Eager to be understood and respected by their elders for their knowledge and experience, they are bringing new energy to change old regimes and modernise African countries. If this can be harnessed with effective succession planning strategies, then many African businesses will be set to succeed.

How to implement a succession plan

Ocorian has the [succession planning expertise](#) to assist family-owned businesses to put in place the right structures to protect the value of the businesses they have created and to ensure a smooth transition to the next generation.



We specialise in assisting the C-suite in making decisions that will add real value to their businesses while mitigating risk. We work with many successful entrepreneurs and [family offices](#) in Africa to support their expansion and help on corporate governance matters.

Our global footprint means that we understand the interconnected nature of doing business around the world. This distinct perspective can play a key role in helping businesses grow, or indeed launch, their presence in Africa.

Contact our team below to get the expert support your need.