The Indispensable Founder
Cape Union Mart
Interesting Facts about Family Businesses
Potential Family Business Advantages
Family Business Model
Succession
It’s Your Ship
Legacy and Longevity
THE INDISPENSABLE FOUNDER!
CAPE UNION MART

- Founded in 1933
- 4\textsuperscript{th} generation – still family owned and operation!
- Employs approximately 2800 people
- Operates on GAAP guidelines, 2 external directors, company secretary, internal audit division
- Father and daughters actively involved together for last 3 years
- Meet the new Chairman!
<table>
<thead>
<tr>
<th>Entity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Union Mart Retail</td>
<td>89 retail stores focusing on outdoor and leisure clothing apparel and equipment</td>
</tr>
<tr>
<td>Poetry</td>
<td>29 stores focusing on bed, bath, clothing and eclectic gifts</td>
</tr>
<tr>
<td>Tread + Miller</td>
<td>Niche store selling urban and leisure footwear</td>
</tr>
<tr>
<td>Sparks &amp; Ellis</td>
<td>Nationwide supplier of uniforms to government and corporate sectors</td>
</tr>
<tr>
<td>Old Khaki</td>
<td>58 stores focusing on urban fashion basics to the fashion conscious youth market</td>
</tr>
<tr>
<td>K-Way Manufacturers</td>
<td>High tech manufacturer of uniforms, leisurewear and foul weather clothing</td>
</tr>
<tr>
<td>Online stores</td>
<td>3 – Cape Union Mart, Old Khaki, Poetry</td>
</tr>
<tr>
<td>Property Division</td>
<td>Develops and owns Group properties</td>
</tr>
</tbody>
</table>
INTERESTING FACTS ABOUT FAMILY BUSINESSES

- Family businesses employ 50% - 60% of the workforce in industrialised countries.
- Family run companies are on average valued 10% higher by the stock market than non-family run companies.
- In a recent study family firms were 5.5% more profitable and achieved a 6.65% better return on assets than non-family companies.
SOME MORE INTERESTING FACTS

Family owned businesses:-

- Salvatore Ferragamo
- Marriott
- The New York Times
- ROTHSCILD
- Kikkoman
EVEN MORE INTERESTING!

- Business survival:
  - 30% survive 2 generations
  - 15% survive 3 generations
  - 9% survive 4 generations
POTENTIAL FAMILY BUSINESS ADVANTAGES

- Longer term investments
- Longer term relationships
- Higher quality focus and image
- Greater customer responsiveness
- Longer leadership tenure and stability
- Greater decisiveness and boldness
- Stronger employee loyalty
- Stronger shareholder loyalty
FAMILY BUSINESS MODEL

1. Family members
2. Non family employees
3. Non-family, non-manager owners
4. Family owners
5. Family employees
6. Non family owner employees
7. Family owner employees
STAGES OF FAMILY BUSINESS

The Three-Dimensional Developmental Model

- **Maturity**
- **Expansion / Formalisation**
- **Start-Up**

**Business Axis**
- Young Business Family
- Entering the Business
- Working Together
- Passing the Baton

**Family Axis**
- Controlling Owner
- Sibling Partnership
- Cousin Consortium

**Ownership Axis**
WHAT IS IT ALL ABOUT?

Growing, preserving and sharing wealth
- Implementing strategies for growing the company while maintaining family control
- Distributing wealth and ownership to benefit the family, the business and employees
- Considering how to raise children in “privileged” business families

Governance
- Developing effective Boards of Directors and Advisory Boards
- Organising family assembly and family council meetings
- Creating policies and plans for family involvement
- Developing leaders in family businesses
LESSONS WE’VE LEARNED

- Preserve the business as a family business – it gives us a key competitive edge
  - Fly beneath the radar
  - Use the family for competitive advantage
  - Treat your staff like a family

- Involve the family by
  - Drawing on collective experience
  - Keeping the family well informed in respect of the business

- Set up a family council
  - Rules for entry of family members
  - Principles for ownership and involvement
  - Proper governance

- Avoid nepotism and build the best team to run the company
  - Family benefits
  - Company thrives
THE 4 GOLDEN RULES

1. Treat your business like a business and your family like a family
2. Surprise is the enemy
3. Structure is your friend
4. Don’t have too many kids!
“Who the hell are you? And how did you get past Miss Merryweather?”
THE GREAT DILEMMA

It's All About the Company

It's All About Me

It's All About the Successor

It's All About the Transition
Since succession planning is so important for the vitality of companies, **why is it ignored?**

**Is anything stopping you?**

- I love my job – it's my identity!
- What if she's better than I am?
- I feel like such a lame-duck.
- This guy's gonna wither – He can't cut it.

SUCCESSION

- Developing the next generation as effective managers, shareholders and family members
- Management and timing of successful leadership transitions
- Preparing the organisation for future changes in management and ownership
- Assuming and relinquishing leadership responsibilities
THE SUCCESSION CONUNDRUM

- The leap from entrepreneurial to professional management
- Perpetuating values, whilst avoiding mimicking
- Moving from captain to admiral
- Learning to work on your business on your business instead of in your business
- Endorsing the captain
- Clarifying roles
- Measuring results
THE ADIZES LIFE CYCLE CURVE

## DIFFERENT STAGES, DIFFERENT CHALLENGES

<table>
<thead>
<tr>
<th>Stage</th>
<th>Typical Complaint</th>
</tr>
</thead>
<tbody>
<tr>
<td>Courtship</td>
<td>Insufficient evidence</td>
</tr>
<tr>
<td>Infant</td>
<td>No delegation</td>
</tr>
<tr>
<td>Go-go</td>
<td>Too many priorities</td>
</tr>
<tr>
<td>Adolescent</td>
<td>Too many meetings</td>
</tr>
<tr>
<td>Prime</td>
<td>Not enough well trained people</td>
</tr>
<tr>
<td>Stable</td>
<td>No complaints due to complacency</td>
</tr>
</tbody>
</table>
Highly Capable Individual
Makes productive contributions through talent, knowledge, skills and good work habits

Contributing Team Member
Contributes individual capabilities to the achievement of group objectives and works effectively with others in a group setting

Competent Manager
Organizes people and resources toward the effective and efficient pursuit of predetermined objectives

Effective Leader
Catalyzes commitment to and vigorous pursuit of a clear and compelling vision, stimulating higher performance standards

Level 5 Executive
Builds enduring greatness through a paradoxical blend of personal humility and professional will

Source: Good to Great. Jim Collins
DEVELOPING THE RIGHT JOB DESCRIPTION

RESPONSIBILITIES

JOB DESCRIPTION
CEO – Cape Union Mart Group(Pty) Ltd

Responsibilities
In order to provide for prudent succession planning, it is envisaged by the Board that we should appoint a CEO for Cape Union Mart Group (Pty) Ltd.

The CEO’s responsibilities will include inter alia the following:-

- Execution of all duties commonly filled by a CEO including:-
  - Execution of Group Board policy
  - Preservation of the Company’s values and mores
  - Participation in strategic planning and development
  - Implementation of strategy
  - Operational effectiveness and efficiency
  - Responsibility for fiscal discipline
  - Fiduciary responsibility
  - Planning and infrastructural development
  - Approval and responsibility for budgets
  - Development of team leaders and team members
  - Overall management and liaison of team leaders and teams
  - Motivation of entire Organization
  - Building a winning culture throughout the organisation
The abovementioned responsibilities shall apply in respect of the following entities:-

- Cape Union Mart International (Pty) Ltd, including its subsidiaries and operating divisions such as:-
  - Cape Union Mart Retail
  - Old Khaki
  - Poetry
  - Outlet stores
  - Any other businesses acquired and operated under Cape Union Mart International (Pty) Ltd
- Batumi Airport Ventures (Pty) Ltd
- Sparks & Ellis (Pty) Ltd
  - Associated companies in neighbouring territories
- K-Way Manufacturers (Pty) Ltd
Requirements

The ideal candidate should preferably be between the ages of 35 to 45, and should hold a business based undergraduate degree in accounting or business from a recognised University. A postgraduate qualification such as an honours, masters, GDA or MBA would be highly desirable.

The candidate should have a sound financial background. Experience in corporate structuring and/or mergers and acquisitions would be useful. It is essential that the candidate should have at least five to ten years experience in the retail environment with at least one to two years spent fulfilling the role of COO or CEO.

Furthermore, the right candidate should be a goal orientated individual with good human resources skills and a proven track record of achievement. Sound knowledge of IT would also be useful.

The successful candidate should be available to commence as soon as possible and will be based in Cape Town. A market related package with the usual benefits commensurate with this position will be offered.

Applications stating why you believe you are the right candidate, should be e-mailed to pjk@capeunionmart.co.za
INTERNAL vs. EXTERNAL CANDIDATES
PROS AND CONS

Internal

**Pros:** Best source of CEO candidates is the company itself

- Reasons to promote from within:
  - Candidates can take on new responsibilities more quickly
  - Know the organization, its history, its people and strategy
  - Already possess developed relationships, both internal and external
  - Less organizational disruption
  - Faster start-up, can "hit the ground running"

**Cons:** In some cases, no true successor exists within organization
External

- **Pros**: Go outside to "infuse" new ideas, give fresh perspective, provide needed shift in company culture
  - Filter any biases beforehand (e.g., does the candidate really need industry knowledge or is that a preconceived notion? Why or why not?)

- **Cons**: There is a higher failure rate when going "outside"
  - Learning curve
ASSESSING LEADERS: DEVELOPING A TALENT MAP

Rate your entire team and ask your managers to rate their teams
Continue to update this over time to ensure you're managing your talent!

Overall Rating
Performance (results), behaviors, values, employee engagement

<table>
<thead>
<tr>
<th>Top 20%</th>
<th>10%–20%</th>
<th>60%–80%</th>
<th>Highly Valued 70%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly Valued 70%</td>
<td>60%–80%</td>
<td>Top 20%</td>
<td>10%–20%</td>
</tr>
<tr>
<td>Bottom 10%</td>
<td>Limited</td>
<td>Medium</td>
<td>High</td>
</tr>
</tbody>
</table>

- Who are my high potentials and what are their development needs?
- When will key talents on my team be ready to move on to new roles?

## TESTING A FAMILY CEO'S ABILITY TO LEAD

Spot potential weaknesses and take corrective action before it's too late!

<table>
<thead>
<tr>
<th>QUALIFYING CRITERIA</th>
<th>Yes</th>
<th>No</th>
</tr>
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<tbody>
<tr>
<td>Has the successor worked outside the (family) business and shown that s/he can succeed?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has s/he taken on jobs and projects whose results can be objectively measured?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do his/her behavior and demeanor serve to defuse concerns about nepotism?</td>
<td></td>
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</table>

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<thead>
<tr>
<th>BEHAVIORAL STANDARDS</th>
<th>Yes</th>
<th>No</th>
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<tr>
<td>Has the successor taken personal responsibility for the gaps between what s/he promised and what was delivered (if any)?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has s/he picked a talented top management team?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has s/he treated family members and friends impartially?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CIRCUMSTANTIAL MEASURES</th>
<th>Yes</th>
<th>No</th>
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<tbody>
<tr>
<td>Is the successor willing to take on difficult challenges and crises to demonstrate ability?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has s/he thought through a strategy for success? Does s/he have the resources? Can s/he deliver results in the available time?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the candidate know how to motivate others to collaborate?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>POLITICAL PARAMETERS</th>
<th>Yes</th>
<th>No</th>
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<tr>
<td>Can the successor identify everyone who is threatened by his/her appointment and leadership choices?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is s/he aware of what rivals for the job say and do to undermine his/her efforts?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
THE TEN DEADLY SINS OF CEO RECRUITMENT

1. **Deciding not to decide** – Waiting too long to replace a CEO is too late.
2. **Press release seduction** – Hire competencies, not name recognition.
3. **Ignoring the suicide bomber** – Anticipate the reaction and actions of a displaced CEO.
4. **Resume myopia** – Evaluate behaviours, not just experience.
5. **The quest for the Loch Ness Monster** – Don’t hold out for a candidate that doesn’t exist.
6. ** Skipping an “S”** – Evaluate a candidate’s skills against the stage of the company.
7. **Learning curve liability** – Hiring a “market newcomer” can cost time you can’t afford.
8. **The low ball** – Avoiding the best, most expensive candidates can be pound foolish.
9. **The back of the napkin** – Hiring a CEO is a capital investment: evaluate as such.
10. **The polaroid perspective** – View a company’s needs as evolving, not as a snapshot in time.

THREE TYPICAL REASONS FOR SUCCESSOR FAILURE

Legacy actions of the outgoing CEOs cause derailment

- Outgoing CEOs do not intend to contribute to their successors' failures
  - Your personal needs and actions can, however, lay the groundwork
- Examples
  - Diminished engagement
  - You don't want to really leave at all
  - You want to finish your tenure with a headline-grabbing accomplishment

The succession process is flawed

- Failure to adequately prepare the successor for his/her new role
  - Internal candidates need proper grooming
  - Second-in-command may continue to rely on historic strengths
- Lack of rigorous oversight by the Board

The successor has narrow expertise and inability to gain credibility as the senior-most leader

- Context-oriented (i.e., environment-oriented) CEOs fare better in the long run

Do you have a Board of Directors for your company?
Do you need one?
If so, what do you want its role to be – governance, advisory, approval?
Who should you ask to be part of the Board—friends, family, industry experts, professionals?
How can the Board help to ensure the success of the "new person"?
And most importantly, how do you fit into the Board structure?
# SIX QUALITIES OF CO-LEADERSHIP

1. **Complementarity**  
   Balancing expertise, experiences, skills, styles and networks

2. **Emotional compatibility**  
   Developing a trusting and comfortable relationship

3. **Commitment**  
   Channeling efforts towards a common purpose  
   Mutual values, unified decision-making criteria, and a common vision for the company's future

4. **Careful design**  
   Individual roles (e.g., domains of expertise)  
   Shared overlap (e.g., operational issues, business reviews)

5. **Communication**  
   Single voice with "profound accord"  
   Clarity in reporting to avoid blurred responsibility

6. **Co-evolution**  
   Conditions change; competencies and styles evolve  
   Change structure of leadership (including dissolving the partnership if it's no longer working)

CO-LEADERSHIP RULES OF ENGAGEMENT

Choose Thy Partner

Get to Know Each Other

Design the Shared Job

Develop a Shared Vision

Speak with a Single Voice

Resolve Disagreements Privately

Share Accountability

WHAT’S STOPPING SUCCESSION

“Lose the rear view mirror – its blocking your vision”
IT’S YOUR SHIP

- Handing over to the new Captain
- Accepting the role of Admiral
- Letting go the helm
- Empowering the new Captain to set a different course to reach an agreed destination
LEGACY AND LONGEVITY

- Think of the employees and their careers
- Remember your vendors
- Cherish your customers
- Invest in society
- Do it all right and the family shareholders will be happy
The End

Thank you for listening