



# Key considerations in planning the succession journey for Private Businesses

How well do you incorporate the "going concern" in your business decisions? For some businesses, it may be an accounting cliché, while for others, it is a top priority. Well, despite the inherent uncertainty of the future lying in the possibility of both expected and unexpected events, it is imperative that businesses are adequately prepared to sustain their operations into the future. Certainly, ensuring continuity and planning for succession should be integral to any business strategy.

Nevertheless, this is often neglected, particularly in private and family businesses. Time and again, we have witnessed private businesses falter and even collapse after a few years of operation due to a lack of succession planning. Succession planning in private and family businesses is a critical process that ensures the continuity and sustainability of the business across generations. In the West African context, where family businesses form the backbone of the economy, the process takes on unique cultural, economic, and legal dimensions. The family unit is often closely knit, with a strong emphasis on tradition and legacy, which can both support and complicate the succession process. Following the sudden disruptions to businesses as a result of the COVID-19 pandemic, it would be assumed that succession plans would be a priority for private businesses to ensure continuity even in the midst of unforeseen challenges. To our dismay, only a handful of these businesses have such plans in place. The findings of the PwC Global Family Business Survey 2021 revealed that only 30% of family businesses said they had a robust, documented and communicated succession plan in place, and this represents an increase from 15% in 2018.<sup>1</sup>

Succession planning is not a fallback plan when things go wrong, but a comprehensive plan with well integrated considerations to ensure continuity of operations and avert or withstand any threats to private businesses' smooth operations.<sup>2</sup> One key consideration in making this plan is the human capital requirements. At all times, businesses should have sufficient human resources with the appropriate skills to facilitate both the management and operational activities. At the top level especially, businesses should identify potential successors and groom them through training, mentoring and exposure to relevant areas of the businesses. This should prepare them to take the reins in the absence of key management personnel.

Additionally, private businesses should consider the financial implications of their succession. This involves identifying the

liquidity and solvency needs of the businesses in the long run. It is important to identify if there will be adequate funding available to ensure a smooth transition over time without disrupting operational activities. The tax implications of the succession should also not be neglected. It is necessary to get an expert opinion on the implications of the succession. For example, if the succession involves a transfer of shares or assets, what are the business and business owner's tax obligations in this regard? A comprehensive study of the financial implications of the planned succession would definitely influence the plans made in this regard.

Moreover, your succession plan would not suffice without proper communication. Remember, stakeholders have roles to play in the success of businesses. Each must be managed in relation to the significance of interests and powers they hold. Businesses must take this into consideration when communicating to the respective stakeholders - employees, customers, suppliers, management, owners and family members. If the communication is clear and concise, it will help manage expectations and reduce resistance to change.

You should also consider the cultural aspects of your business. Succession planning in West African private and family businesses requires a careful balance of respecting traditions and embracing modern business practices. In most cases, private businesses are unique in their culture as they may be characterised by the philosophy of their sole owner or group of owners/management. To ensure a smooth succession, it is important that the new leadership does not entirely lose the identity of the businesses. This therefore requires that private businesses' succession plan should seek to deeply ingrain the culture and values in the potential leaders of the business.

Though these may not be exhaustive, your private business should see a smooth succession if these are carefully considered. Why wait any longer when you can start your succession planning now? We are happy to work with you on this succession journey.

**Please book a slot to have a conversation with one of our experts via email: [edward.gomado@pwc.com](mailto:edward.gomado@pwc.com) or [gh\\_pwc\\_private\\_family\\_business@pwc.com](mailto:gh_pwc_private_family_business@pwc.com).**

<sup>1</sup> <https://www.pwc.com/gx/en/family-business-services/family-business-survey-2021/pwc-family-business-survey-2021.pdf>

<sup>2</sup> <https://www.forbes.com/sites/jjawertz/2024/03/28/succession-planning-the-unseen-catalyst-for-business-growth/>