

Time for transmitting

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Swiss entrepreneurs' current challenge

20 % to 25 % of Swiss small and medium sized companies should change hands in the next 5 years. Aging managers and owners will have to face one of the last challenges of their professional track. The name of the game is company transmission. At stake, not less than 3 million jobs in Switzerland... and life's works for the entrepreneurs.

At first sight nothing more easy. It is just about letting the next generation step further, isn't? However, let us remember how difficult the relations were between close members of the Lacoste family. The dispute ended up by a global sale to Maus Frères and the end of the family venture.

Aware of the complexity of the situation the Swiss authorities and entrepreneurs' associations have declared the 17th of March to be the first Swiss national day for enterprises transmission. Events and conferences took place in several cantons.

Let us try better understand the situation by examining the Dentressangle case. Its buy out by XPO came out as a surprise for a company seemingly irresistible. The saga began 24 years ago when the young Norbert Dentressangle founded his own transports company with 10 trucks. In 2014 it was a listed company with € 4.5 billion turnover and 42,000 employees.

Yet by end of April, US based XPO, \$ 2.4 billion in revenues, 10,000 employees, bought Norbert Dentressangle. The logo and brand would disappear. Employees, attached to this family business were dumbfounded. The founder delivered a speech full of emotion to explain this sudden and unexpected move.

What happened? Beyond its financial side, the decision seems to be widely emotional. It has certainly been a shock for the owner to face the fact that no family solution would ensure as is the future of the company.

Such issues are emotionally charged by nature. The investment made by the founder is manifold: money of course, but also time, affect, energy. Sacrifices for the development of the company may include family-related considerations. The link between an entrepreneur and

his company may be stronger and more intimate than one would think out of the blue. Let us focus on the evaluation of the company. The buyer will engage in conventional analysis: financial, operational and strategic. However, the story may be completely different on the sell-side. The speech may sound fully rational. Yet reality may be different under the coating. The evaluation of the company can easily be perceived as an assessment of the founder. This is a clue to seemingly "off market" price expectations. From time to time solicited takeover bids would merely serve as reassurance for the value... of the owner. Which is a slippery way to get answers to personal unrest!

Another hard time for the founder is imagining his child without himself. We know it well: when everything is fine, we all are eternal. Considering that it may not be the case can be harsh. Let us remember this great CEO, upset when his Board asked him to step down with regards to his age: he was "only" 83 years old!

And how to find a smart enough successor? The phenomenon is not limited to entrepreneurs. Some famous major listed companies' CEOs have appointed successors... and fired them one after the other.

Add an additional dimension in complexity: family considerations. What do the children really want? Do they have the ability, if not the qualifications? These questions are not easy to ask. Answers are even more difficult to hear: the CEO is also a parent. How many brilliant strategists and top managers have turned a blind eye when it came to assessing their offspring?

Yet common sense suggest that an early preparation leads to a smooth transition and a better future for the company and its stakeholders. Its sustainable development, workers' employability, shareholders' inheritance will be better served if the issue is discussed dispassionately. Intuition says it should not be more difficult than any strategic or operational decisions that is the daily bread of the company and its manager. Technical solutions are multiple for a successful transition: backing by a complementary group, management buy-out, entry of professional investors, organization of a governance dissociating ownership, control and management...

Some consider a decision as an intuition driven process. Technical analysis would merely be a way of backing our initial gut feeling. Emotions are necessary and beautiful. But should we be overwhelmed by them to the point of losing sight of the facts? ... We know at what extent these can be stubborn!